

Village of Holly, Michigan

Comprehensive Annual Financial Report with Supplemental Information Year Ended June 30, 2008

Prepared by:
Marsha Powers, CMC-CPFA
Village Manager, Clerk-Treasurer

Village of Holly

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President

Peter K. Clemens

Village Council

Sandra Kleven
Thomas McKenney
Don Winglemire
Pauline Kenner
Reisa Hamilton
William P. Kuyk, Sr.

ADMINISTRATION

Village Manager

Marsha A. Powers

Village Clerk – Treasurer

Marsha A. Powers

Director of Public Works

Marvin Swanson

Police Chief

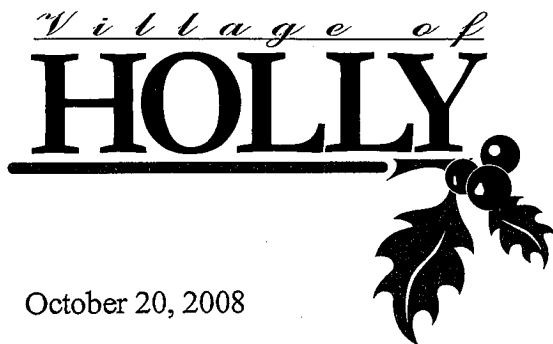
Rollie W. Gackstetter

Director of Wastewater Treatment

Tim Stallcup

Acting Fire Chief

Paul Schimmeyer



October 20, 2008

To the Citizens of
Village of Holly, Michigan:

The Comprehensive Annual Financial Report of the Village of Holly, Michigan, for the fiscal year ended June 30, 2008 is submitted herewith. This report was prepared by the Village of Holly Clerk-Treasurer's office with assistance from the Village's Independent Auditors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Village.

PROFILE OF THE GOVERNMENT:

The management of the Village is overseen by an elected Council. The Council consists of seven members. They have the responsibility of making appropriations to all Village functions and establishing policy for all Village operations. The Council appoints a manager who has the overall responsibility to oversee the administrative duties of the Village.

The Village provides many services to the Village residents including administration, police patrol, fire and EMS, public works, recreation and water and sewer services.

FACTORS AFFECTING FINANCIAL CONDITION:

Local Economy:

The Village of Holly is a community located in an area rich in natural resources. With six lakes in the Village in addition to the Shiawassee River and four major recreational areas within five miles, Holly is an attractive place to live, work and play.

The Downtown Development Authority and the Holly Chamber of Commerce are working together to promote the Village of Holly through special events and activities. The Downtown Development Authority completed a new streetscape in historic downtown this year. This investment in the downtown has made the downtown more attractive and user friendly for visitors.

The economic downturn had an affect on two local businesses closing this past year. The Village and the DDA are working together to bring businesses to the downtown that are attractive to our local residents as well as visitors.

Major Initiatives:

The Village of Holly's two large scale public works projects, the wastewater treatment plant and the expansion of the water utility system were completed this year. These upgrades will provide the Village with a competitive advantage over neighboring communities and allow for possible future growth.

The Village of Holly continues to invest in its transportation network. This year monies were invested in sidewalk improvements as well as paving, Morrison Street, which connects to Oakland Street, an entrance to the village from the west/Fenton area. The Village of Holly has not dedicated this level of resources towards transportation in over a decade. A comprehensive transportation system will allow people and goods to travel throughout the community which will improve the local economy and the quality of life in the Village.

Financial Management:

Management of the Village is responsible for establishing and maintaining internal control designed to ensure that the assets of the Village are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Long Term Financial Planning:

The Village Administration will continue to work with the Council on future capital improvement projects, budgeting funds for future improvements each year. With local road projects requiring 100% local funding, monies will need to be set aside each year for these projects. A capital improvement line item has been established in the major funds to allow for financing of large improvements.

Budgeting Control:

The Village maintains budgetary control with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Village Council. Activities of the General and Special Revenue Funds are included in the annual appropriation budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at the fund level for all funds.

As demonstrated by the statements and schedules included in the financial section of this report, the Village continues to meet its responsibility for sound financial management.

Cash Management:

Cash temporarily idle during the year was invested through the use of a competitive bid procedure in time deposits, including municipal investment pools, ranging from overnight to medium short-term investments. Longer investment periods were utilized by the Village to take advantage of higher interest rates.

Risk Management:

The Village carries a variety of commercial insurance coverage. This includes coverage for workers' compensation, property loss, general liability, public officials and employee liability.

OTHER INFORMATION:

Independent Audit:

The Michigan Uniform Accounting and Budgeting Act requires an annual audit by independent certified public accountants. The accounting firm of Plante & Moran was selected by the Village Council to perform the Village's annual audit. The auditor's report on the financial statements and combining and individual fund statements and schedules are included in the financial section of this report.

Accounting Systems and Reports:

The Village's accounting records for traditional governmental operations; i.e., General Fund and Special Revenue Funds are maintained on a modified accrual basis of accounting. As a result, the more significant revenues such as property taxes, intergovernmental revenues and investment earnings are recognized as earned and other revenues are generally recognized only when received. Expenditures are recorded when incurred and encumbrances placed when purchase orders are issued.

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Holly for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the tenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

More Information:

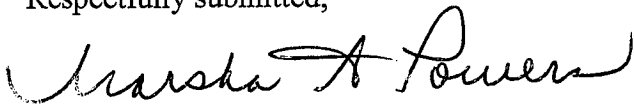
Detail information regarding this annual report can be found in the Management's Discussion and Analysis section starting on page 3. This will provide you as a reader to tables with information showing a comparison of prior year revenues, expenses, asset information and other general information regarding the village.

Acknowledgements:

The completion of this report on a timely basis could not have been accomplished without the cooperation of the Village staff. I would like to express my appreciation to those who assisted and contributed to its preparation.

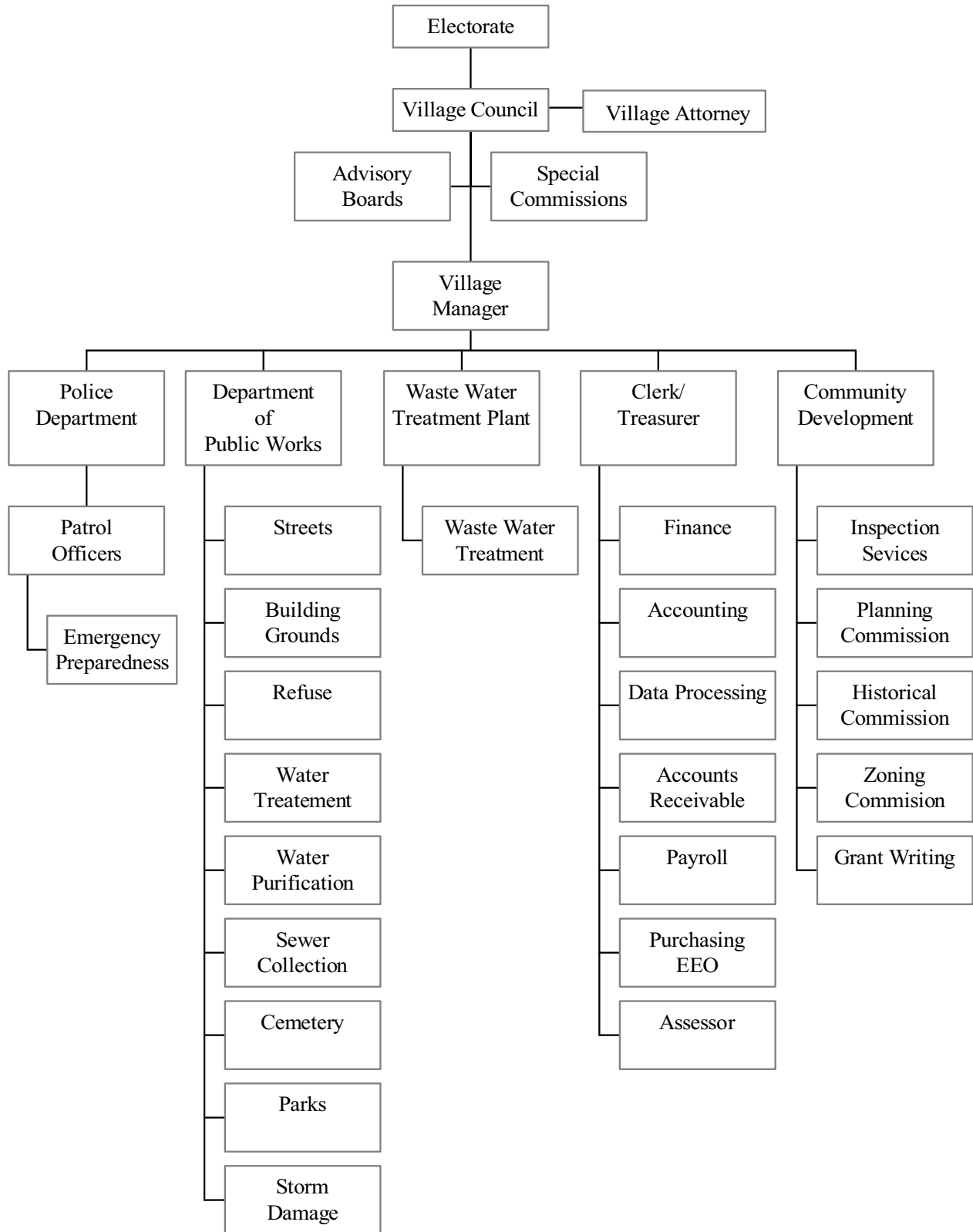
Finally, I would like to thank the Council members for their leadership and support in planning and conducting the financial operations of the Village in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Marsha A. Powers". The signature is fluid and elegant, with a large initial 'M' and a distinct 'A'.

Marsha A. Powers,
Village Manager/Clerk-Treasurer, CMC-CPFA

VILLAGE OF HOLLY ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Holly
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

Independent Auditor's Report

To the Village Council
Village of Holly, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Holly, Michigan (the "Village"), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Holly's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Holly, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Holly's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of

additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 20, 2008

Village of Holly

Management's Discussion and Analysis

Our discussion and analysis of the Village of Holly's (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Village's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

Governmental Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

<u>Condensed Statement of Activities:</u>				<u>Change from 2007</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>in Dollars</u>	<u>in %</u>
Revenue					
Charges for services	\$ 212,387	\$ 200,557	\$ 202,560	\$ 2,003	1%
Operating grants and contributions	511,596	458,495	422,337	(36,158)	-8%
Capital grants and contributions	68,247	305,532	1,122,611	817,079	267%
General revenue:					
Property taxes	1,927,942	2,131,818	2,377,365	245,547	12%
State-shared revenue	631,013	613,850	610,592	(3,258)	-1%
Investment earnings	103,948	88,938	56,203	(32,735)	-37%
Franchise fees	58,726	62,548	81,587	19,039	30%
Miscellaneous	89,426	51,913	31,533	(20,380)	-39%
Total revenue	3,603,285	3,913,651	4,904,788	991,137	25%

Village of Holly

Management's Discussion and Analysis (Continued)

Governmental Activities (continued)

	2006	2007	2008	Change from 2007	
				in Dollars	in %
Expenses					
General government	590,570	605,514	522,764	(82,750)	-14%
Public safety	1,594,462	1,716,705	1,890,575	173,870	10%
Public works	912,833	689,580	866,515	176,935	26%
Community and economic development	112,440	82,823	60,660	(22,163)	-27%
Recreation and culture	54,525	62,131	52,592	(9,539)	-15%
Interest on long-term del	3,901	10,373	7,639	(2,734)	-26%
Total program expenses	3,268,731	3,167,126	3,400,745	233,619	7%
Change in Net Assets	\$ 334,554	\$ 746,525	\$ 1,504,043	\$ 757,518	101%

The Village's total governmental revenues increased approximately \$991,137, due primarily to capital grants and contributions and a special assessment for police operations. All capital assets are reported in these statements which include the DDA payment of the Saginaw Street project. Expenses increased by approximately \$757,518 during the year, which were the result of a increase in public works and in public safety expense.

Village of Holly

Management's Discussion and Analysis (Continued)

Condensed Statement of Net Assets:

	2006	2007	2008	Change from 2007	
				in Dollars	in %
Assets					
Cash and investments	\$ 1,677,602	\$ 1,251,727	\$ 1,296,178	\$ 44,451	4%
Other current assets	489,831	339,561	436,693	97,132	29%
Capital assets	2,161,003	3,513,493	4,820,706	1,307,213	37%
Other noncurrent assets	<u>7,408</u>	<u>5,966</u>	<u>159,830</u>	<u>153,864</u>	2579%
Total assets	4,335,844	5,110,747	6,713,407	1,602,660	31%
Liabilities					
Current liabilities	310,002	338,355	427,705	89,350	26%
Long-term liabilities	<u>112,419</u>	<u>112,444</u>	<u>121,711</u>	<u>9,267</u>	8%
Total liabilities	422,421	450,799	549,416	98,617	22%
Net Assets					
Invested in capital assets -					
Net of related debt	2,013,629	3,323,290	4,694,324	1,371,034	41%
Restricted	1,343,132	655,070	581,536	(73,534)	-11%
Unrestricted	<u>556,662</u>	<u>681,588</u>	<u>888,131</u>	<u>206,543</u>	30%
Total net assets	<u>\$ 3,913,423</u>	<u>\$ 4,659,948</u>	<u>\$ 6,163,991</u>	<u>\$ 1,504,043</u>	32%

Total governmental net assets increased by 32 percent from a year ago – increasing from \$4,659,948 to \$6,163,991. Unrestricted net assets – that portion of net assets that can be used to finance day-to-day operations – increased by \$206,543 for the governmental activities. This represents an increase of approximately 30 percent. The current level of unrestricted net assets for our governmental activities stands at \$888,131 or about 27 percent of governmental activity expenses.

Village of Holly

Management's Discussion and Analysis (Continued)

Business-type Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

<u>Condensed Statement of Activities:</u>			<u>Change from 2007</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>in Dollars</u> <u>in %</u>
Revenue				
Charges for services				
Sewer	\$ 1,306,582	\$ 1,376,555	\$ 1,194,628	\$ (181,927) -13%
Water	936,193	898,915	1,153,421	254,506 28%
Capital grants and donations	5,574,955	222,021	282,049	60,028 27%
General revenue (interest)	<u>220,811</u>	<u>396,662</u>	<u>115,181</u>	<u>(281,481)</u> -71%
Total revenue	8,038,541	2,894,153	2,745,279	(148,874) -5%
Expenses				
Sewer	1,640,260	1,359,509	1,675,300	315,791 23%
Water	<u>895,937</u>	<u>869,198</u>	<u>1,386,778</u>	<u>517,580</u> 60%
Total expenses	<u>2,536,197</u>	<u>2,228,707</u>	<u>3,062,078</u>	<u>833,371</u> 37%
Change in Net Assets	<u>\$ 5,502,344</u>	<u>\$ 665,446</u>	<u>\$ (316,799)</u>	<u>\$ (982,245)</u> -148%

Village of Holly

Management's Discussion and Analysis (Continued)

Business-type Activities (continued)

<u>Condensed Statement of Net Assets:</u>			<u>Change from 2007</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>in Dollars</u> <u>in %</u>
Assets				
Cash and investments	\$ 3,376,928	\$ 1,217,903	\$ 1,434,842	\$ 216,939 18%
Other current assets	483,975	674,483	705,903	31,420 5%
Capital assets	28,609,952	36,207,264	36,752,925	545,661 2%
Restricted assets	<u>8,528,564</u>	<u>3,410,906</u>	<u>1,253,531</u>	<u>(2,157,375)</u> n/a
Total assets	40,999,419	41,510,556	40,147,201	(1,363,355) -3%
Liabilities				
Current liabilities	1,459,186	1,637,401	1,226,190	(411,211) -25%
Long-term liabilities	<u>19,613,766</u>	<u>19,281,242</u>	<u>18,645,897</u>	<u>(635,345)</u> -3%
Total liabilities	21,072,952	20,918,643	19,872,087	(1,046,556) -5%
Net Assets				
Invested in capital assets -				
Net of related debt	17,391,459	17,971,901	17,756,151	(215,750) -1%
Restricted	-	869,073	944,408	75,335 0%
Unrestricted	<u>2,535,008</u>	<u>1,750,939</u>	<u>1,574,555</u>	<u>(176,384)</u> -10%
Total net assets	<u>\$ 19,926,467</u>	<u>\$ 20,591,913</u>	<u>\$ 20,275,114</u>	<u>\$ (316,799)</u> -2%

The Village's business-type activities consist of the Water and Sewer Funds. We provide water to residents from the village wells and sewage treatment through a Village owned and operated sewage treatment plant. The net assets of business type activities decreased 2 percent from a year ago – decreasing from \$20,591,913 to \$20,275,114. Unrestricted net assets – that portion of net assets that can be used to finance day-to-day operations – increased by approximately \$27,696 or 2 percent. The current level of unrestricted net assets stands at approximately \$1,778,635, or about 58 percent of annual expenses.

Village of Holly

Management's Discussion and Analysis (Continued)

The Village's Funds

Our analysis of the Village's major funds begins on page 20, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the village as a whole. The Village's major funds for 2008 include the General Fund, which includes services of general government – i.e. – village council, manager, clerk-treasurer, public safety (police and fire), public works; community and economic development provide services for planning and zoning, community development, senior transportation and parks and recreation. The Police Department makes up 51.0 percent of the total General Fund expenditures.

Other major funds are the Water and Sewer Funds, which are categorized as Enterprise or business funds. These funds operate on revenues they receive from the customers (users) of the water and sewer systems.

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account various minor expenditures and revenue changes. Reductions in expenditures and small increases in some revenues netted an increase in the fund balance of \$336,090.

Capital Asset and Debt Administration

During 2008, the village invested approximately \$1,088,117 in governmental capital assets, which included street and sidewalk improvements, the purchase of additional vehicles and building improvements. The village invested approximately \$1,357,115 in business type assets, primarily water and sewer infrastructure financed through the recent bond issues.

Additional information regarding the Village's capital assets can be found in Note 5 in notes to the financial statements.

Additional information regarding the Village's long-term debt can be found in Note 7 in notes to the financial statements.

Village of Holly

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Local Economy:

The Downtown Development Authority and the Holly Chamber of Commerce signed a working partnership agreement this year to promote the Village of Holly through special events and activities. The Downtown Development Authority completed a new streetscape in the downtown which started in mid-July of 2007. This investment in the downtown should make the downtown more attractive and user friendly for visitors.

The economic downturn had an affect on two local businesses closing this past year. The Village and DDA are working together to bring businesses to the downtown that are attractive to our local residents as well as visitors. With the reduction in taxable values of approximately 5% for this fiscal year, priorities were made to continue to provide services to the village residents.

Major Initiatives:

Water rates were increased this fiscal year by changing the per 1,000 gallon rate from \$2.75 to \$4.25 and the base fee from \$15.00 to \$25.00. A water/sewer rate study was finished in February, 2008, which provided the Village with the capability to review on a yearly basis, expenses to operate the systems, proposed revenues and the gallons estimated to be sold to the users. This allows the calculation of the rate per 1,000 gallons that would be set to operate the systems. In fiscal year 2008-2009, the village will no longer charge base fees for water or sewer and the per 1,000 gallon rates will increase as we move towards a user base system. Historically, the village council has not changed water and sewer rates yearly, so increases to the users has been higher than other communities.

The Village budgets for capital improvement purchases through capital improvement line items in each department budget. Loss of revenue in the general fund and raising of the user fees to the water and sewer funds has made staff prioritize these purchases.

The Village completed the GASB required actuarial for the retiree health care fund this year and learned that we are fully funded, which eliminates the transfer to the fund on a yearly basis. Staff will be working hard to keep expenditures at or below this years budget level in anticipation of further loss of revenues.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's office.

Village of Holly

Statement of Net Assets June 30, 2008

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 1,296,178	\$ 1,434,842	\$ 2,731,020	\$ 117,145
Receivables - Net (Note 4)	436,693	646,191	1,082,884	78
Inventories	-	59,712	59,712	-
Land contract receivable	1,009	-	1,009	-
Restricted assets (Note 8)	158,821	1,253,531	1,412,352	-
Capital assets - Net (Note 5):				
Subject to depreciation	4,622,706	36,702,925	41,325,631	-
Not subject to depreciation	198,000	50,000	248,000	-
Total assets	6,713,407	40,147,201	46,860,608	117,223
Liabilities				
Accounts payable	50,263	339,983	390,246	1,715
Accrued payroll and related liabilities	83,755	23,080	106,835	1,636
Unearned revenue	9,921	-	9,921	-
Deposits and other liabilities	7,795	203,127	210,922	-
Payable from restricted assets	-	20,000	20,000	-
Noncurrent liabilities (Note 7):				
Due within one year	275,971	640,000	915,971	55,061
Due in more than one year	121,711	18,645,897	18,767,608	244,939
Total liabilities	549,416	19,872,087	20,421,503	303,351
Net Assets				
Invested in capital assets - Net of related debt	4,694,324	17,756,151	22,450,475	-
Restricted:				
Streets and highways	314,187	-	314,187	-
Perpetual care-nonexpendable	182,010	-	182,010	-
Solid waste	54,527	-	54,527	-
Building inspections	3,632	-	3,632	-
Federal grants	27,180	-	27,180	-
Bond Reserve	-	944,408	944,408	-
Unrestricted (deficit)	888,131	1,574,555	2,462,686	(186,128)
Total net assets	<u>\$ 6,163,991</u>	<u>\$ 20,275,114</u>	<u>\$ 26,439,105</u>	<u>\$ (186,128)</u>

Village of Holly

Statement of Activities Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 522,764	\$ 17,873	\$ 1,455	\$ -	\$ (503,436)
Public safety:					
Police	1,522,135	83,004	4,639	-	(1,434,492)
Fire	259,562	5,567	-	-	(253,995)
Building inspections and related	108,878	30,345	-	-	(78,533)
Public works:					
Streets	454,764	-	355,333	1,111,095	1,011,664
Rubbish disposal	254,172	291	-	-	(253,881)
Trees	6,674	-	-	-	(6,674)
Cemetery	95,541	53,575	-	-	(41,966)
Other public works activities	55,364	1,423	200	11,516	(42,225)
Community and economic development:					
Planning and zoning	4,094	2,343	-	-	(1,751)
Housing and redevelopment	14,523	-	20,523	-	6,000
Senior transportation	42,043	4,464	40,187	-	2,608
Parks and recreation	52,592	3,675	-	-	(48,917)
Interest on long-term debt	7,639	-	-	-	(7,639)
Total governmental activities	<u>3,400,745</u>	<u>202,560</u>	<u>422,337</u>	<u>1,122,611</u>	<u>(1,653,237)</u>
Business-type activities:					
Sewer	1,675,300	1,194,628	-	193,312	(287,360)
Water	1,386,778	1,153,421	-	88,737	(144,620)
Total business-type activities	<u>3,062,078</u>	<u>2,348,049</u>	<u>-</u>	<u>282,049</u>	<u>(431,980)</u>
Total primary government	<u>6,462,823</u>	<u>2,550,609</u>	<u>422,337</u>	<u>1,404,660</u>	<u>(2,085,217)</u>
Component Units					
Downtown Development Authority	687,342	1,103	-	-	(686,239)
Economic Development Corporation	2,500	-	-	-	(2,500)
Total component units	<u>689,842</u>	<u>1,103</u>	<u>-</u>	<u>-</u>	<u>(688,739)</u>

(Continued)

Village of Holly

Statement of Activities (Continued) Year Ended June 30, 2008

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
General Revenues				
Net expense	\$ (1,653,237)	\$ (431,980)	\$ (2,085,217)	\$ (688,739)
General revenues:				
Property taxes	2,377,365	-	2,377,365	274,493
Unrestricted state-shared revenues	610,592	-	610,592	-
Investment earnings	56,203	115,181	171,384	3,634
Franchise fees	81,587	-	81,587	-
Miscellaneous	31,533	-	31,533	-
Total general revenues	3,157,280	115,181	3,272,461	278,127
Change in Net Assets	1,504,043	(316,799)	1,187,244	(410,612)
Net Assets - Beginning of year	4,659,948	20,591,913	25,251,861	224,484
Net Assets (Deficit) - End of year	<u>\$ 6,163,991</u>	<u>\$ 20,275,114</u>	<u>\$ 26,439,105</u>	<u>\$ (186,128)</u>

Village of Holly

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and investments (Note 3)	\$ 555,227	\$ 672,536	\$ 1,227,763
Receivables: (Note 4)			
Special assessments	-	67,507	67,507
Delinquent taxes	8,530	34,961	43,491
Other	218,999	106,640	325,639
Due from other funds (Note 6)	89,698	-	89,698
Land contract receivable	1,009	-	1,009
Restricted assets	158,821	-	158,821
Total assets	<u>\$ 1,032,284</u>	<u>\$ 881,644</u>	<u>\$ 1,913,928</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 10,936	\$ 28,373	\$ 39,309
Accrued payroll and related liabilities	80,946	2,809	83,755
Due to other funds (Note 6)	-	42,705	42,705
Deferred revenue	124,767	105,384	230,151
Total liabilities	<u>216,649</u>	<u>179,271</u>	<u>395,920</u>
Fund Balances			
Reserved for:			
Capital projects (unspent installment purchase proceeds)	158,821	-	158,821
Perpetual care - nonexpendable	-	182,010	182,010
Unreserved, reported in:			
General Fund	656,814	-	656,814
Special Revenue Funds	-	520,363	520,363
Total fund balances	<u>815,635</u>	<u>702,373</u>	<u>1,518,008</u>
Total liabilities and fund balances	<u>\$ 1,032,284</u>	<u>\$ 881,644</u>	<u>\$ 1,913,928</u>

Village of Holly

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets Year Ended June 30, 2008

Fund balances reported in governmental funds	\$ 1,518,008
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	4,391,973
--	-----------

Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures	93,473
--	--------

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	126,757
---	---------

Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(250,203)
---	-----------

Accrued interest payable on long-term debt is not recorded in the funds until due and payable	(5,158)
---	---------

Employee compensated absences are payable over a long period of years, and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(112,479)
--	-----------

Internal Service Funds are included as part of governmental activities	<u>401,620</u>
--	----------------

Net assets of governmental activities	<u><u>\$ 6,163,991</u></u>
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Village of Holly

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 2,154,077	\$ 255,314	\$ 2,409,391
Licenses and permits	96,907	30,345	127,252
Federal grants	6,294	76,746	83,040
State-shared revenues (and grants)	607,307	339,297	946,604
Charges for services	39,835	65,721	105,556
Charges to other funds	781,460	-	781,460
Fines and forfeitures	55,055	-	55,055
Interest and rentals	35,231	20,972	56,203
Other income:			
Special assessments	-	39,276	39,276
Sale of assets	6,457	-	6,457
Reimbursements and refunds	14,344	-	14,344
Other miscellaneous	11,973	-	11,973
Total revenue	3,808,940	827,671	4,636,611
Expenditures			
Current:			
General government	732,923	-	732,923
Public safety:			
Police	1,751,052	-	1,751,052
Fire	306,569	-	306,569
Building inspections and related	-	108,878	108,878
Public works:			
Streets	-	571,391	571,391
Rubbish disposal	-	254,172	254,172
Trees	6,674	24,332	31,006
Cemetery	-	100,005	100,005
Other public works activities	632,341	11,214	643,555
Community and economic development:			
Planning and zoning	4,094	-	4,094
Housing and redevelopment	-	20,523	20,523
Senior transportation	-	33,804	33,804
Parks and recreation	-	44,011	44,011
Capital outlay	(641)	11,743	11,102
Total expenditures	3,433,012	1,180,073	4,613,085
Excess of Revenue Over (Under) Expenditures	375,928	(352,402)	23,526
Other Financing Sources (Uses)			
Debt Issuance	271,949	-	271,949
Transfers in	-	325,662	325,662
Transfers out	(311,787)	(13,875)	(325,662)
Total other financing sources (uses)	(39,838)	311,787	271,949
Net Change in Fund Balances	336,090	(40,615)	295,475
Fund Balances - Beginning of year	479,545	742,988	1,222,533
Fund Balances - End of year	\$ 815,635	\$ 702,373	\$ 1,518,008

The Notes to Financial Statements are an
Integral Part of this Statement.

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2008**

Amounts reported for governmental activities in the statement of activities are different because:

Change in Net Assets of Governmental Activities	\$ 1,504,043
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Village of Holly

Proprietary Funds Statement of Net Assets June 30, 2008

	Sewer Fund	Water Fund	Total Enterprise Funds	Internal Service Fund
Assets				
Current assets:				
Cash and investments (Note 3)	\$ 1,272,867	\$ 161,975	\$ 1,434,842	\$ 68,415
Receivables - Net (Note 4)	361,774	284,417	646,191	56
Inventories	59,712	-	59,712	-
Total current assets	<u>1,694,353</u>	<u>446,392</u>	<u>2,140,745</u>	<u>68,471</u>
Noncurrent assets:				
Restricted assets (Note 8)	558,080	695,451	1,253,531	-
Capital assets (Note 5)	<u>24,746,820</u>	<u>12,006,105</u>	<u>36,752,925</u>	<u>428,733</u>
Total noncurrent assets	<u>25,304,900</u>	<u>12,701,556</u>	<u>38,006,456</u>	<u>428,733</u>
Total assets	<u>26,999,253</u>	<u>13,147,948</u>	<u>40,147,201</u>	<u>497,204</u>
Liabilities				
Current liabilities:				
Accounts payable	336,519	3,464	339,983	10,954
Accrued payroll and related liabilities	16,046	7,034	23,080	-
Due to other funds (Note 6)	-	-	-	46,993
Accrued interest and other liabilities	121,894	81,233	203,127	2,637
Payable from restricted assets	-	20,000	20,000	-
Current portion of long-term debt (note 7)	<u>350,000</u>	<u>290,000</u>	<u>640,000</u>	<u>35,000</u>
Total current liabilities	824,459	401,731	1,226,190	95,584
Noncurrent liabilities (Note 7):				
Long-term debt - Net of current portion	<u>11,370,897</u>	<u>7,275,000</u>	<u>18,645,897</u>	<u>-</u>
Total liabilities	<u>12,195,356</u>	<u>7,676,731</u>	<u>19,872,087</u>	<u>95,584</u>
Net Assets				
Investment in capital assets				
- Net of related debt	13,025,923	4,730,228	17,756,151	393,733
Restricted for bond reserve	558,080	386,328	944,408	-
Unrestricted	<u>1,219,894</u>	<u>354,661</u>	<u>1,574,555</u>	<u>7,887</u>
Total net assets	<u>\$14,803,897</u>	<u>\$ 5,471,217</u>	<u>\$20,275,114</u>	<u>\$ 401,620</u>

Village of Holly

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Sewer Fund	Water Fund	Total Enterprise Funds	Internal Service Fund
Operating Revenue				
Sewage disposal charges	\$ 1,165,307	\$ -	\$ 1,165,307	\$ -
Sale of water	-	1,060,300	1,060,300	-
Charges to other funds	-	21,279	21,279	471,862
Interest and penalty charges	29,321	27,388	56,709	-
Other miscellaneous revenue	-	5,925	5,925	4,076
Total operating revenue	<u>1,194,628</u>	<u>1,114,892</u>	<u>2,309,520</u>	<u>475,938</u>
Operating Expenses				
Wastewater treatment	580,245	-	580,245	-
Wastewater collection system	314,210	-	314,210	-
Water treatment and transmission	-	694,667	694,667	-
Central garage	-	-	-	219,620
Depreciation	518,743	292,711	811,454	74,787
Billing and administrative costs	51,851	52,552	104,403	-
Total operating expenses	<u>1,465,049</u>	<u>1,039,930</u>	<u>2,504,979</u>	<u>294,407</u>
Operating Income (loss)	(270,421)	74,962	(195,459)	181,531
Non-Operating Revenue (Expenses)				
Investment income	74,594	40,587	115,181	2,087
Interest expense	(210,251)	(346,848)	(557,099)	(3,704)
Cell tower leases	-	38,529	38,529	-
Gain (loss) on disposal of assets	-	-	-	8,000
Income (loss) - Before contributions	(406,078)	(192,770)	(598,848)	187,914
Capital Contributions				
Benefit fees	118,312	88,737	207,049	-
Settlement award	75,000	-	75,000	-
Change in Net Assets	(212,766)	(104,033)	(316,799)	187,914
Net Assets - Beginning of year	<u>15,016,663</u>	<u>5,575,250</u>	<u>20,591,913</u>	<u>213,706</u>
Net Assets - End of year	<u>\$ 14,803,897</u>	<u>\$ 5,471,217</u>	<u>\$ 20,275,114</u>	<u>\$ 401,620</u>

Village of Holly

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Sewer Fund	Water Fund	Total Enterprise	Internal Service
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,182,515	\$ 1,069,333	\$ 2,251,848	\$ 471,806
Payments to suppliers	(1,063,336)	(879,147)	(1,942,483)	(230,230)
Payments to employees	(302,555)	(157,309)	(459,864)	-
Other receipts (payments)	-	38,529	38,529	4,076
Net cash provided by (used in) operating activities	(183,376)	71,406	(111,970)	245,652
Cash Flows from Capital and Related Financing Activities				
Benefit fees	118,312	88,737	207,049	-
Acquisition and construction of capital assets	(977,809)	(304,306)	(1,282,115)	(217,660)
Proceeds from the sale of assets	-	-	-	8,000
Principal and interest paid on capital debt	(412,168)	(482,665)	(894,833)	(38,703)
Net cash used in capital and related financing activities	(1,271,665)	(698,234)	(1,969,899)	(248,363)
Cash Flows from Investing Activities				
Interest received on investments	85,313	56,120	141,433	2,087
Net cash provided by investing activities	85,313	56,120	141,433	2,087
Net Decrease in Cash and Cash Equivalents	(1,369,728)	(570,708)	(1,940,436)	(624)
Cash and Cash Equivalents - Beginning of year	3,200,675	1,428,134	4,628,809	69,039
Cash and Cash Equivalents - End of year	\$ 1,830,947	\$ 857,426	\$ 2,688,373	\$ 68,415
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,272,867	\$ 161,975	\$ 1,434,842	\$ 68,415
Restricted investments (Note 8)	558,080	695,451	1,253,531	-
Total cash and cash equivalents	\$ 1,830,947	\$ 857,426	\$ 2,688,373	\$ 68,415

Village of Holly

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2008

	Sewer Fund	Water Fund	Total Enterprise	Internal Service
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ (270,421)	\$ 74,962	\$ (195,459)	\$ 181,531
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	518,743	292,711	811,454	74,787
Other revenue	-	38,529	38,529	
Changes in assets and liabilities:				
Receivables	(12,113)	(45,559)	(57,672)	(56)
Other assets	-	-	-	-
Accounts payable	(413,923)	(281,795)	(695,718)	4,390
Accrued and other liabilities	(5,662)	(7,442)	(13,104)	-
Due to other funds	-	-	-	(15,000)
Net cash provided by operating activities	<u>\$ (183,376)</u>	<u>\$ 71,406</u>	<u>\$ (111,970)</u>	<u>\$ 245,652</u>

Noncash investing, Capital and Financing Activities - During the year ended June 30, 2008, the Water Fund recorded capital assets and retainer payable in the amount of \$20,000.

Village of Holly

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2008

	Retiree Health Care Fund (Other Employee Fund)	Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents (Note 3)	\$ 46,519	\$ 87,379
Investments (Note 3):		
Mutual funds	<u>541,365</u>	<u>-</u>
Total assets	<u>587,884</u>	<u>\$ 87,379</u>
Liabilities		
Cash bonds and deposits	-	\$ 83,205
Other miscellaneous liabilities	<u>796</u>	<u>4,174</u>
Total liabilities	<u>796</u>	<u>\$ 87,379</u>
Net Assets - Held in trust for retiree health care benefits	<u>\$ 587,088</u>	

Village of Holly

Fiduciary Funds **Statement of Changes in Fiduciary Net Assets** **Year Ended June 30, 2008**

	Retiree Health Care Fund (Other Employee Fund)
Additions	
Investment income:	
Interest and dividends	\$ 6,115
Net increase (decrease) in fair value of investments	<u>(36,382)</u>
Net investment income	<u>(30,267)</u>
Contributions:	
Employee	<u>10,110</u>
Total contributions	<u>10,110</u>
Total additions	(20,157)
Deductions	
Benefit payments	<u>28,224</u>
Net Decrease in Net Assets Held in Trust	(48,381)
Net Assets Held in Trust for Retiree Health Care Benefits	
Beginning of year	<u>635,469</u>
End of year	<u><u>\$ 587,088</u></u>

Village of Holly

Component Units Statement of Net Assets June 30, 2008

	Downtown Development Authority	Economic Development Corporation	Totals
Assets			
Cash and investments	\$ 103,862	\$ 13,283	\$ 117,145
Accrued interest receivable	68	10	78
Capital assets	-	-	-
Total assets	<u>103,930</u>	<u>13,293</u>	<u>117,223</u>
Liabilities			
Accounts payable	1,715	-	1,715
Accrued payroll & related liabilities	1,636	-	1,636
Nocurrent liabilities (Note 7):			
Due within one year	55,061	-	55,061
Due in more than one year	<u>244,939</u>	<u>-</u>	<u>244,939</u>
Total liabilities	<u>303,351</u>	<u>-</u>	<u>303,351</u>
Net Assets			
Unrestricted - (deficit)	<u>(199,421)</u>	<u>13,293</u>	<u>(186,128)</u>
Total net assets	<u><u>\$ (199,421)</u></u>	<u><u>\$ 13,293</u></u>	<u><u>\$ (186,128)</u></u>

Village of Holly

Component Units Statement of Activities Year Ended June 30, 2008

	Downtown Development Authority	Economic Development Corporation	Totals
Expenses:			
Wages	\$ 43,455	\$ -	\$ 43,455
Fringe benefits	16,134	-	16,134
Administrative charges from Village	5,000	-	5,000
Economic development projects	566,507	-	566,507
Other current expenses	<u>56,246</u>	<u>2,500</u>	<u>58,746</u>
Total expenses	<u>687,342</u>	<u>2,500</u>	<u>689,842</u>
Program revenues:			
ATM fees	<u>1,103</u>	<u>-</u>	<u>1,103</u>
Total program revenues	<u>1,103</u>	<u>-</u>	<u>1,103</u>
Net revenue	<u>686,239</u>	<u>2,500</u>	<u>688,739</u>
General revenues:			
Property taxes	274,493	-	274,493
Investment earnings	<u>3,219</u>	<u>415</u>	<u>3,634</u>
Total general revenues	<u>277,712</u>	<u>415</u>	<u>278,127</u>
Change in Net Assets	(408,527)	(2,085)	(410,612)
Net Assets - Beginning of year	<u>209,106</u>	<u>15,378</u>	<u>224,484</u>
Net Assets (deficit) - End of year	<u>\$ (199,421)</u>	<u>\$ 13,293</u>	<u>\$ (186,128)</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Village of Holly (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Holly:

Reporting Entity

The Village of Holly is governed by an elected seven-member council (Board). The accompanying financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Village's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village (see discussion below for description).

Discretely Presented Component Units

Downtown Development Authority - The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of five individuals, is selected by the Village Council. In addition, the Authority's budget is subject to approval by the Village Council. The Authority does not publish separate financial statements.

Economic Development Corporation - The Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974 (MCL 125.1601 through 125.1636), as amended, is governed by a nine-person Board of Directors appointed by the Village Council. The EDC may not issue debt without the Village Council's approval. The EDC does not publish separate financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following major enterprise funds:

The Sewer Fund accounts for the activity related to sanitary sewage collection and treatment. The Village operates its own sewage treatment plant.

The Water Fund accounts for the activity related to water distribution.

Additionally, the Village reports the following internal service and fiduciary activities:

The Motor Pool Fund accounts for the activity related to Village owned vehicles, machinery and equipment that are used by other departments of the Village.

The Other Employee Benefits Trust Fund accounts for the accumulation of resources for future payment of retiree health care costs.

The Agency Fund accounts for deposits received by the Village that will ultimately be returned to customers, developers, and others once the terms of the deposit arrangement have been satisfied. Agency funds are custodial in nature (assets equal liabilities and do not involve the measurement of results of operations).

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Village's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property tax revenue

Property taxes are assessed as of December 31; the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through September 30 with the final collection date of February 28.

The Village's 2007 tax is levied and collectible on July 1, 2007, and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Village totaled \$151 million (a portion of which is abated and a portion of which is captured by the DDA). Taxes were levied as follows:

<u>Purpose</u>	<u>Millage rate</u>	<u>Revenue</u>
General operating	13.5244	\$ 1,869,203
Police operating	2.0000	284,874
Rubbish	1.6780	255,314
Total	<u>17.2024</u>	<u>\$ 2,409,391</u>

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, and for a bond reserve. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	15 to 20 years
Water and sewer distribution systems	30 to 75 years
Sewer treatment facilities	30 to 50 years
Buildings and building improvements	25 to 50 years
Office furnishings and equipment	5 to 20 years

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Compensated sick leave may accumulate to a maximum of 160 hours for department heads and 480 hours for police union employees and teamster employees. Department heads having more than 160 hours at the end of the fiscal year will be paid for half of the hours in excess of 160 at their current hourly wage. Upon termination while in good standing, one half of all unused sick days will be paid back to the employee, wages calculated at the earned rate. Department heads must have a minimum of 160 hours in their sick bank to qualify for this benefit. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. In prior years, the governmental fund that has liquidated compensated absences has typically been the General Fund.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Reclassifications - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Village oversees building construction, in accordance with the state's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. The Village accounts for its construction code activities in a separate special revenue fund.

Note 3 - Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Note 3 - Deposits and Investments (Continued)

The retiree health care fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

The Village has designated four banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Village of Holly's deposits and investment policies are in accordance with statutory authority.

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Village had approximately \$2,820,076 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village does not have a policy for custodial credit risk. There were no investments held at year end or during the year that were subject to custodial credit risk.

Village of Holly

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. There were no investments held at year end or during the year that were subject to interest rate risk.

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U. S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Munder balanced fund	\$ 541,365	N/A	N/A
Chase Bank - Mutual fund	566,368	Aaa	Moody's
Bank of America mutual fund	197,838	Aaa	Moody's
MBIA CLASS mutual fund	67,790	AAA-VI	Fitch

Note 4 - Receivables

Receivables as of year end for the Village's individual major funds and the nonmajor, Internal Service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Governmental Funds	Sewer Fund	Water Fund	Total
Receivables:					
Special assessments	\$ -	\$ 67,507	\$ -	\$ -	\$ 67,507
Delinquent taxes	8,530	34,961	-	-	43,491
Other					
Taxes	-	-	15,943	7,772	23,715
Accounts	-	56	345,080	276,582	621,718
Intergovernmental	201,114	99,305	-	-	300,419
Interest and other	17,885	7,335	751	63	26,034
Net receivables	<u>\$ 227,529</u>	<u>\$ 209,164</u>	<u>\$ 361,774</u>	<u>\$ 284,417</u>	<u>\$ 1,082,884</u>

Village of Holly

Notes to Financial Statements June 30, 2008

Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 10,520	\$ -
Special assessments	93,473	-
Land contract	1,009	-
Grant and categorical aid payment received prior to meeting all eligibility requirements	115,228	9,921
Total	<u>\$ 220,230</u>	<u>\$ 9,921</u>

Note 5 - Capital Assets

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 198,000	\$ -	\$ -	\$ 198,000
Subtotal	<u>198,000</u>	<u>-</u>	<u>-</u>	<u>198,000</u>
Capital assets being depreciated:				
Roads and sidewalks	8,052,173	1,262,902	-	9,315,075
Buildings and improvements	1,310,450	84,020	-	1,394,470
Office furnishings and equipment	450,510	82,098	18,000	514,608
Vehicles	1,042,583	211,995	63,719	1,190,859
Subtotal	<u>10,855,716</u>	<u>1,641,015</u>	<u>81,719</u>	<u>12,415,012</u>
Accumulated depreciation:				
Roads and sidewalks	6,122,312	163,415	-	6,285,727
Buildings and improvements	575,664	29,857	-	605,521
Office furnishings and equipment	332,622	37,419	18,000	352,041
Vehicles	509,625	103,111	63,719	549,017
Subtotal	<u>7,540,223</u>	<u>333,802</u>	<u>81,719</u>	<u>7,792,306</u>
Net capital assets being depreciated	<u>3,315,493</u>	<u>1,307,213</u>	<u>-</u>	<u>4,622,706</u>
Net capital assets	<u>\$ 3,513,493</u>	<u>\$ 1,307,213</u>	<u>\$ -</u>	<u>\$ 4,820,706</u>

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	13,614,278	-	13,614,278	-
Subtotal	13,664,278	-	13,614,278	50,000
Capital assets being depreciated:				
Water and sewer distribution systems	31,413,051	14,888,706	-	46,301,757
Vehicles	507,039	82,687	-	589,726
Subtotal	31,920,090	14,971,393	-	46,891,483
Accumulated depreciation:				
Water and sewer distribution systems	9,020,875	767,103	-	9,787,978
Vehicles	356,229	44,351	-	400,580
Subtotal	9,377,104	811,454	-	10,188,558
Net capital assets being depreciated	22,542,986	14,159,939	-	36,702,925
Net capital assets	<u>\$ 36,207,264</u>	<u>\$ 14,159,939</u>	<u>\$ 13,614,278</u>	<u>\$ 36,752,925</u>

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:		
General government	\$	9,562
Public safety		56,917
Public works		182,613
Economic development		8,239
Recreation and culture		1,684
Internal Service Fund depreciation is charged to the various functions based on their usage		<u>74,787</u>
Total governmental activities	\$	<u>333,802</u>
Business-type activities:		
Water	\$	292,711
Sewer		<u>518,743</u>
Total business-type activities	\$	<u>811,454</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 42,705
General Fund	Internal Service Fund	<u>46,993</u>
Total		<u>\$ 89,698</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 311,787
Other Governmental Fund	Other Governmental Fund	<u>13,875</u>
Total		<u>\$ 325,662</u>

The transfers from the General Fund to the major and local street funds, lake improvements fund, building inspections fund, parks and recreation fund, and cemetery represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

Note 7 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Village is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Note 7 - Long-term Debt (Continued)

The Village has the following long term debt outstanding as of June 30, 2008:

Description	Amount
Governmental Activities:	
<u>Installment Purchase</u>	
4 Vehicles, with interest of 5.0% maturing in September 2008	\$ 35,000
Fire Truck , with interest of 3.5% maturing 2010	76,221
Remodel of Police Dept. Communications Center, with interest of 4.0% maturing December 2009	173,982
Total Governmental Type Activity debt	<u>\$ 285,203</u>
Business Type Activities:	
<u>General Obligations:</u>	
2006 General Obligation Limited Tax Bond, with interest from 4% to 4.375%, maturing in 2025	\$ 5,500,000
Subtotal	<u>5,500,000</u>
<u>Revenue obligations:</u>	
1991 Water Revenue Bond, with interest of 5.113% maturing in 2014	615,000
1999 Water Supply Revenue Bonds Act 94, with interest 2.5% maturing 2019.	950,000
2004 Wastewater System Revenue Bond, with interest from 3.5% to 4.85% maturing in 2025	6,300,000
2006 Water System Revenue Bond, with interest from 4% to 5.5% maturing in 2027.	6,000,000
Subtotal	<u>13,865,000</u>
Total Business Type Activity debt	<u>\$ 19,365,000</u>
Component Unit Activities:	
<u>Installment Purchase</u>	
Streetscape Improvements, with interest of 4.1%, maturing November 2012	\$ 300,000
Total Component Unit Activity debt	<u>\$ 300,000</u>

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Installment purchase	\$ 182,409	\$ 271,949	\$ 169,155	\$ 285,203	\$ 163,492
Compensated absence	104,691	26,639	18,851	112,479	112,479
Total governmental activities	<u>\$ 287,100</u>	<u>\$ 298,588</u>	<u>\$ 188,006</u>	<u>\$ 397,682</u>	<u>\$ 275,971</u>
Business-type Activities					
General obligation bond	\$ 5,500,000	\$ -	\$ -	\$ 5,500,000	\$ 150,000
Revenue bonds	14,195,000	-	330,000	13,865,000	490,000
	19,695,000	-	330,000	19,365,000	640,000
Less deferred changes	(83,758)	-	4,655	(79,103)	-
Total business-type activities	<u>\$ 19,611,242</u>	<u>\$ -</u>	<u>\$ 325,345</u>	<u>\$ 19,285,897</u>	<u>\$ 640,000</u>
Component Unit Activities					
Installment Purchase	\$ -	\$ 300,000	\$ -	\$ 300,000	\$ 55,061
Total component unit activities	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 55,061</u>

Total interest expense for the year was approximately \$846,434. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 163,492	\$ 11,377	\$ 174,869	\$ 640,000	\$ 828,004	\$ 1,468,004
2010	121,711	4,675	126,386	770,000	800,971	1,570,971
2011	-	-	-	800,000	468,824	1,268,824
2012	-	-	-	860,000	733,158	1,593,158
2013	-	-	-	970,000	697,663	1,667,663
2014-2018	-	-	-	5,145,000	2,877,415	8,022,415
2019-2023	-	-	-	5,680,000	2,664,638	8,344,638
2024-2027	-	-	-	4,500,000	396,438	4,896,438
Total	<u>\$ 285,203</u>	<u>\$ 16,052</u>	<u>\$ 301,255</u>	<u>\$ 19,365,000</u>	<u>\$ 9,467,111</u>	<u>\$ 28,832,111</u>

Future Revenues Pledged for Debt Payment:

The Village has pledged substantially all revenue of the water fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the Water plant. The bonds are payable solely from the net revenues of the water system. The remaining principal and interest to be paid on the Revenue bonds is \$7,565,000. During the current year,

Village of Holly

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

net revenues of the water system were \$535,526 compared to the annual debt requirements of \$349,391.

The Village has pledged substantially all revenue of the sewer fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the Wastewater plant. The bonds are payable solely from the net revenues of the sewer system. The remaining principal and interest to be paid on the revenue bonds is \$6,300,000. During the current year, net revenues of the water system were \$516,228 compared to the annual debt requirements of \$464,325.

Component Units - Long-term debt of the component units consists of an installment purchase of \$300,000 maturing through 2014 and bearing an interest rate of 4.1 percent.

Component Unit Activities			
	Principal	Interest	Total
2009	\$ 55,061	\$ 11,910	\$ 66,971
2010	57,373	9,598	66,971
2011	59,783	7,188	66,971
2012	62,283	4,688	66,971
2013	64,910	2,061	66,971
2014	590	12	602
Total	<u>\$ 300,000</u>	<u>\$ 35,457</u>	<u>\$ 335,457</u>

Note 8 - Restricted Assets

The balances of the restricted asset accounts represent unspent bond proceeds, held in the form of cash and investments.

	Government Activities
Unspent installment note proceeds	<u>\$ 158,821</u>
	Business-type Activities
Unspent bond proceeds and related interest	\$ 309,123
Revenue bond restrictions:	
Bond reserve	<u>944,408</u>
Total restricted assets	<u>\$ 1,253,531</u>

Note 9 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for all such claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Pension Plan

Plan Description. The Village participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way., Lansing, MI 48917.

Funding policy. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's collective bargaining units and requires no contribution from the employees.

Annual Pension Cost. For year ended June 30, 2008 the Village's annual pension cost of \$253,770 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return, (b) projected salary increases of 4.5 percent per year attributable to inflation and 0 to 8.4 percent attributable to seniority/merit, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3 percent.

The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 30 years.

Note 10- Pension Plan (Continued)

Three year trend information.

	Fiscal Year Ended June 30,		
	2006	2007	2008
Annual pension costs (APC)	\$ 303,378	\$ 263,337	\$ 253,770
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial Valuation as of December 31:			
	2005	2006	2007
Actuarial value of assets	\$ 6,527,802	\$ 7,050,695	\$ 7,515,989
Actuarial Accrued Liability (entry age)	\$ 8,698,835	\$ 9,108,013	\$ 9,840,813
Unfunded AAL	\$ 2,171,033	\$ 2,057,318	\$ 2,324,824
Funded ratio	75%	77%	76%
Covered payroll	\$ 1,572,242	\$ 1,473,040	\$ 1,319,010
UAAL as a percentage of covered payroll	138%	140%	176%

Note 11 - Defined Contribution Pension Plan

The Village offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The Village also uses this plan to provide pension benefits for all employees at least eighteen years of age, with starting dates on or after July 1st, 2006, as well as the Village Manager. Payroll costs of all employees and plan participants amounted to \$337,259 in fiscal year 2007. During the current year, the General Fund, Building Inspections Fund and DDA General Fund contributed the Village's portion of the pension cost, amounting to \$30,078, which is 5% of eligible wages. Employees made required and voluntary contributions to the plan during the current year. The plan is administered by the Village Treasurer/Clerk. Investments are made through UMB Bank which holds the assets of the plan within a trust. As a result, the plan assets are not reflected on the financial statements since the Village has no fiduciary or administrative responsibility for these plans. It is the policy of the Village to pay the pension costs as accrued.

The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency.

Note 12 - Other Postemployment Benefits

The Village provides postemployment health benefits to certain retirees and their beneficiaries, in accordance with certain agreements and union contracts. The Village includes pre-Medicare retirees and their dependents in its insured health care plan, with a 50 percent contribution required from retirees. Currently, three retirees are eligible for postemployment health benefits. For the fiscal year ended June 30, 2007 the Village made payments for postemployment health benefit premiums (net of retiree reimbursements) of approximately \$28,224. The Village obtains health care coverage through private insurers.

Upcoming reporting change: The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2010.

Note 13 - Subsequent Events

The Village entered into an agreement with Ervin Leasing Company to lease meters for an amount of \$600,000 subsequent to year end.

Required Supplemental Information

Village of Holly

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,177,350	\$ 2,196,905	\$ 2,154,077	\$ (42,828)
Licenses and permits	87,156	78,356	96,907	18,551
Federal grants	5,200	5,200	6,294	1,094
State-shared revenues (and grants)	609,756	609,756	607,307	(2,449)
Charges for services	36,000	37,800	39,835	2,035
Charges to other funds	879,476	879,476	781,460	(98,016)
Fines and forfeitures	50,700	52,890	55,055	2,165
Interest and rentals	40,000	40,000	35,231	(4,769)
Other income:				
Sale of assets	-	-	6,457	6,457
Reimbursements and refunds	10,000	287,161	14,344	(272,817)
Other miscellaneous	2,500	2,500	11,973	9,473
Total revenue	<u>3,898,138</u>	<u>4,190,044</u>	<u>3,808,940</u>	<u>(381,104)</u>
Expenditures				
Current:				
General government:				
Village Council	10,600	10,600	6,438	4,162
Village Manager	157,760	152,660	117,067	35,593
Clerk Treasurer	290,492	288,358	287,416	942
Election	3,670	3,670	2,940	730
Buildings and grounds	117,304	183,941	184,681	(740)
Attorney	26,000	34,913	36,457	(1,544)
Data processing	8,284	8,284	5,334	2,950
Other	165,458	123,147	92,590	30,557
Public safety:				
Police	1,743,461	2,030,323	1,751,052	279,271
Fire	325,008	321,878	306,569	15,309
Public works:				
Trees	7,250	7,250	6,674	576
Other public works activities	663,262	663,262	632,341	30,921

(Continued)

Village of Holly

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Community and economic development:				
Planning and zoning	10,635	10,635	4,094	6,541
Capital outlay	<u>57,166</u>	<u>62,157</u>	<u>(641)</u>	<u>62,798</u>
Total expenditures	<u>3,586,350</u>	<u>3,901,078</u>	<u>3,433,012</u>	<u>468,066</u>
Excess of Revenue Over (Under) Expenditures	311,788	288,966	375,928	86,962
Other Financing Sources (Uses)				
Transfers out	(311,788)	(311,787)	(311,787)	-
Issuance of debt/debt defeasance	<u>-</u>	<u>-</u>	<u>271,949</u>	<u>271,949</u>
Total other financing sources (uses)	<u>(311,788)</u>	<u>(311,787)</u>	<u>(39,838)</u>	<u>271,949</u>
Net Change in Fund Balances	-	(22,821)	336,090	358,911
Fund Balances - Beginning of year	<u>479,545</u>	<u>479,545</u>	<u>479,545</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 479,545</u>	<u>\$ 456,724</u>	<u>\$ 815,635</u>	<u>\$ 358,911</u>

Village of Holly

Notes to Required Supplemental Information Year Ended June 30, 2008

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds, except that transfers in have been included in the revenue categories rather than as an “other financing source”.

The budget is presented to the Village Council for consideration and adopted by the Council prior to July 1st each year. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the fund level. The Village Manager cannot transfer budget amounts within departments without approval of the Village Council. The Village Manager presents a resolution to the Village Council for the budget amendments throughout the fiscal year. The Budget to Actual show the budget at a more detail level than how it is adopted.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Village did not have significant expenditure budget variances.

Village of Holly

Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions

Major Street Fund, Local Street Fund, and Municipal Street Fund: These funds are used to account for street maintenance funds received from the State of Michigan and from special assessment levies for sidewalks.

Parks and Recreation Fund: This fund is used to account for the revenues received for the use of Village park facilities

Lake Improvement Fund: This fund is used to account for special assessment revenues received for purposes of improving Holly Mill pond.

Solid Waste Fund: This fund is used to account for revenues received for garbage collection fees.

Building Inspections Fund: This fund is used to account for revenues received under the state construction code act for building inspections.

Community Development Block Grant Fund (CDBG): This fund is used to account for revenues received from the U.S. Department of Housing and Urban Development, passed through Oakland County, to provide assistance to low and moderate income residents and senior citizens.

Holly Area Transportation Fund: This fund is used to account for revenues received for transportation service fees.

Cemetery Fund: This fund is used to account for revenues received from the operation of the Village's cemetery, including grave sales and burials.

Cemetery Endowment Trust Fund: This fund is used to account for proceeds from grave sales set aside by the Village to make capital purchases for the cemetery.

Village of Holly

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue Funds										Permanent Fund	Total
	Major Streets	Local Streets	Municipal Streets	Parks and Recreation	Lake Improvement	Solid Waste	Building Inspections	Community Development Block Grant	Holly Area Transportation	Cemetery	Cemetery Endowment Trust	Nonmajor Governmental Funds
Assets												
Cash and investments	\$ 26,092	\$ 179,771	\$ 53,737	\$ 83,849	\$ -	\$ 75,635	\$ 5,856	\$ -	\$ 27,286	\$ 38,300	\$ 182,010	\$ 672,536
Receivables - Net	<u>40,089</u>	<u>15,615</u>	<u>96,671</u>	<u>194</u>	<u>10,880</u>	<u>1,799</u>	<u>10</u>	<u>19,718</u>	<u>24,005</u>	<u>127</u>	<u>-</u>	<u>209,108</u>
Total assets	<u>\$ 66,181</u>	<u>\$ 195,386</u>	<u>\$ 150,408</u>	<u>\$ 84,043</u>	<u>\$ 10,880</u>	<u>\$ 77,434</u>	<u>\$ 5,866</u>	<u>\$ 19,718</u>	<u>\$ 51,291</u>	<u>\$ 38,427</u>	<u>\$ 182,010</u>	<u>\$ 881,644</u>
Liabilities and Fund Balances												
Liabilities												
Accounts payable	\$ 3,739	\$ 576	\$ -	\$ 2,093	\$ -	\$ 21,171	\$ 211	\$ -	\$ 287	\$ 296	\$ -	\$ 28,373
Accrued payroll and related	-	-	-	-	-	-	2,023	-	786	-	-	2,809
Due to other funds	-	-	-	-	9,870	-	-	2,035	30,800	-	-	42,705
Deferred revenue	<u>-</u>	<u>-</u>	<u>93,473</u>	<u>127</u>	<u>-</u>	<u>1,736</u>	<u>-</u>	<u>9,921</u>	<u>-</u>	<u>127</u>	<u>-</u>	<u>105,384</u>
Total liabilities	<u>3,739</u>	<u>576</u>	<u>93,473</u>	<u>2,220</u>	<u>9,870</u>	<u>22,907</u>	<u>2,234</u>	<u>11,956</u>	<u>31,873</u>	<u>423</u>	<u>-</u>	<u>179,271</u>
Fund Balances												
Reserved for perpetual care	-	-	-	-	-	-	-	-	-	-	182,010	182,010
Unreserved	<u>62,442</u>	<u>194,810</u>	<u>56,935</u>	<u>81,823</u>	<u>1,010</u>	<u>54,527</u>	<u>3,632</u>	<u>7,762</u>	<u>19,418</u>	<u>38,004</u>	<u>-</u>	<u>520,363</u>
Total fund balances	<u>62,442</u>	<u>194,810</u>	<u>56,935</u>	<u>81,823</u>	<u>1,010</u>	<u>54,527</u>	<u>3,632</u>	<u>7,762</u>	<u>19,418</u>	<u>38,004</u>	<u>182,010</u>	<u>702,373</u>
Total liabilities and fund balances	<u>\$ 66,181</u>	<u>\$ 195,386</u>	<u>\$ 150,408</u>	<u>\$ 84,043</u>	<u>\$ 10,880</u>	<u>\$ 77,434</u>	<u>\$ 5,866</u>	<u>\$ 19,718</u>	<u>\$ 51,291</u>	<u>\$ 38,427</u>	<u>\$ 182,010</u>	<u>\$ 881,644</u>

Village of Holly

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2008

	Special Revenue Funds										Permanent Fund	Total
	Major Streets	Local Streets	Municipal Streets	Parks and Recreation	Lake Improvement	Solid Waste	Building Inspections	Community Development Block Grant	Holly Area Transportation	Cemetery	Cemetery Endowment Trust	Nonmajor Governmental Funds
Revenue												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,314
Federal sources	8,018	8,018	-	-	-	-	-	20,523	40,187	-	-	76,746
State sources	244,748	94,549	-	-	-	-	-	-	-	-	-	339,297
Interest income	(243)	6,020	3,526	2,508	-	2,709	417	-	-	6,035	-	20,972
Special assessments	-	-	27,760	-	11,516	-	-	-	-	-	-	39,276
Other	-	-	-	3,675	-	291	30,345	-	4,464	57,291	-	96,066
Total revenue	252,523	108,587	31,286	6,183	11,516	258,314	30,762	20,523	44,651	63,326	-	827,671
Expenditures												
Current:												
Building inspections	-	-	-	-	-	-	108,878	-	-	-	-	108,878
Streets	375,498	170,462	25,431	-	-	-	-	-	-	-	-	571,391
Rubbish disposal	-	-	-	-	-	254,172	-	-	-	-	-	254,172
Trees	10,840	13,492	-	-	-	-	-	-	-	-	-	24,332
Cemetery	-	-	-	-	-	-	-	-	-	100,005	-	100,005
Lake improvements	-	-	-	-	11,214	-	-	-	-	-	-	11,214
Housing and redevelopment	-	-	-	-	-	-	-	20,523	-	-	-	20,523
Senior transportation	-	-	-	-	-	-	-	-	33,804	-	-	33,804
Parks and recreation	-	-	-	44,011	-	-	-	-	-	-	-	44,011
Capital outlay	-	-	-	11,516	-	-	-	-	-	227	-	11,743
Total expenditures	386,338	183,954	25,431	55,527	11,214	254,172	108,878	20,523	33,804	100,232	-	1,180,073
Excess of Revenue Over (Under)												
Expenditures	(133,815)	(75,367)	5,855	(49,344)	302	4,142	(78,116)	-	10,847	(36,906)	-	(352,402)
Other Financing Sources (Uses)												
Transfers in	50,000	50,000	-	59,442	300	-	79,045	-	-	73,000	13,875	325,662
Transfers out	-	-	-	-	-	-	-	-	-	(13,875)	-	(13,875)
Total other financing sources (uses)	50,000	50,000	-	59,442	300	-	79,045	-	-	59,125	13,875	311,787
Net Change in Fund Balances	(83,815)	(25,367)	5,855	10,098	602	4,142	929	-	10,847	22,219	13,875	(40,615)
Fund Balances (Deficit)												
- Beginning of year	146,257	220,177	51,080	71,725	408	50,385	2,703	7,762	8,571	15,785	168,135	742,988
Fund Balances - End of year	\$ 62,442	\$ 194,810	\$ 56,935	\$ 81,823	\$ 1,010	\$ 54,527	\$ 3,632	\$ 7,762	\$ 19,418	\$ 38,004	\$ 182,010	\$ 702,373

Village of Holly

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds Year Ended June 30, 2008

	Amended Budget	Actual	Variance
<u>Major Street Fund</u>			
Revenue			
Act 51 Major Street distributions	\$ 226,262	\$ 244,748	\$ 18,486
Federal grants	8,607	8,018	(589)
Interest income and other	11,000	(243)	(11,243)
Total revenue	245,869	252,523	6,654
Interfund Transfers	50,000	50,000	-
Total revenue and other financing sources	295,869	302,523	6,654
Expenditures			
Street preservation (maintenance)	287,639	267,248	20,391
Traffic services	30,176	22,421	7,755
Winter maintenance	64,036	62,522	1,514
Trees	13,500	10,840	2,660
Administration	23,307	23,307	-
Total expenditures	418,658	386,338	32,320
Net Change in Fund Balances	(122,789)	(83,815)	38,974
Fund Balances - Beginning of year	146,257	146,257	-
Fund Balances - End of year	<u>\$ 23,468</u>	<u>\$ 62,442</u>	<u>\$ 38,974</u>

(continued)

Village of Holly

Other Supplemental Information

Budgetary Comparison - Nonmajor Governmental Funds (Continued)

Year Ended June 30, 2008

	Amended Budget	Actual	Variance
<u>Local Street Fund</u>			
Revenue			
Act 51 Major Street distributions	\$ 84,214	\$ 94,549	\$ 10,335
Federal grants	8,607	8,018	(589)
Interest income and other	6,000	6,020	20
Total revenue	98,821	108,587	9,766
Interfund Transfers	50,000	50,000	-
Total revenue and other financing sources	148,821	158,587	9,766
Expenditures			
Street preservation	121,019	93,872	27,147
Traffic services	19,550	12,357	7,193
Winter maintenance	60,976	54,226	6,750
Trees	14,800	13,492	1,308
Administration	9,783	10,007	(224)
Total expenditures	226,128	183,954	42,174
Net Change in Fund Balances	(77,307)	(25,367)	51,940
Fund Balances - Beginning of year	220,177	220,177	-
Fund Balances - End of year	\$ 142,870	\$ 194,810	\$ 51,940

(continued)

Village of Holly

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) June 30, 2008

	Amended Budget	Actual	Variance
<u>Municipal Street Fund</u>			
Revenue			
Interest income	\$ 6,000	\$ 3,526	\$ (2,474)
Special assessments	27,629	27,760	131
Total revenue	33,629	31,286	(2,343)
Expenditures			
Street construction	257,000	25,431	231,569
Net change in fund balances	(223,371)	5,855	229,226
Fund Balances - Beginning of year	51,080	51,080	-
Fund Balances - End of year	<u>\$ (172,291)</u>	<u>\$ 56,935</u>	<u>\$ 229,226</u>
 <u>Parks and Recreation Fund</u>			
Revenue			
Charges for services	\$ 2,700	\$ 3,675	\$ 975
Interest income & other	1,800	2,508	708
Total revenue	4,500	6,183	1,683
Interfund Transfers	59,442	59,442	-
Total revenue and other financing sources	63,942	65,625	1,683
Expenditures			
Current services	55,990	44,011	11,979
Capital outlay	11,452	11,516	(64)
Total expenditures	67,442	55,527	11,915
Net change in fund balances	(3,500)	10,098	13,598
Fund Balances - Beginning of year	71,725	71,725	-
Fund Balances - End of year	<u>\$ 68,225</u>	<u>\$ 81,823</u>	<u>\$ 13,598</u>

(continued)

Village of Holly

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) June 30, 2008

	Amended Budget	Actual	Variance
<u>Lake Improvement Fund</u>			
Revenue			
Special assessments	\$ 10,912	\$ 11,516	\$ 604
Total revenue	10,912	11,516	604
Expenditures			
Holly Mill pond maintenance	11,212	11,214	(2)
Excess Revenue Over (Under) Expenditures	(300)	302	602
Transfers in from general fund	300	300	-
Net Change in Fund Balances	-	602	602
Fund Balances - Beginning of year	408	408	-
Fund Balances - End of year	<u>\$ 408</u>	<u>\$ 1,010</u>	<u>\$ 602</u>
<u>Solid Waste Fund</u>			
Revenue			
Property taxes	\$ 254,076	\$ 255,314	\$ 1,238
Charges for services	1,000	291	(709)
Interest income and other	4,000	2,709	(1,291)
Total revenue	259,076	258,314	(762)
Expenditures			
Rubbish removal	259,076	254,172	4,904
Net Change in Fund Balances	-	4,142	4,142
Fund Balances - Beginning of year	50,385	50,385	-
Fund Balances - End of year	<u>\$ 50,385</u>	<u>\$ 54,527</u>	<u>\$ 4,142</u>

(continued)

Village of Holly

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) June 30, 2008

	Amended Budget	Actual	Variance
<u>Building Inspections Fund</u>			
Revenue			
Charges for services	\$ 33,235	\$ 30,345	\$ (2,890)
Interest income	500	417	(83)
Total revenue	33,735	30,762	(2,973)
Expenditures			
Building inspections	110,745	108,878	1,867
Excess Revenue Over (Under) Expenditures	(77,010)	(78,116)	(1,106)
Transfers in from general fund	79,045	79,045	-
Net Change in Fund Balances	2,035	929	(1,106)
Fund Balances - Beginning of year	2,703	2,703	-
Fund Balances - End of year	<u>\$ 4,738</u>	<u>\$ 3,632</u>	<u>\$ (1,106)</u>
 <u>Community Development Block Grant Fund</u>			
Revenue			
Federal grants	\$ (23,654)	\$ 20,523	\$ 44,177
Expenditures			
Community service	23,654	20,523	3,131
Net Change in Fund Balances	(47,308)	-	47,308
Fund Balances - Beginning of year	7,762	7,762	-
Fund Balances - End of year	<u>\$ (39,546)</u>	<u>\$ 7,762</u>	<u>\$ 47,308</u>

(continued)

Village of Holly

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) June 30, 2008

	Amended Budget	Actual	Variance
<u>Holly Area Transportation Fund</u>			
Revenue			
Charges for services	\$ 3,700	\$ 4,464	\$ 764
Municipal credits	34,143	40,187	6,044
Total revenue	37,843	44,651	6,808
Expenditures			
Senior transportation	40,242	33,804	6,438
Net Change in Fund Balances	(2,399)	10,847	13,246
Fund Deficits - Beginning of year	8,571	8,571	-
Fund Balances - End of year	<u>\$ 6,172</u>	<u>\$ 19,418</u>	<u>\$ 13,246</u>
 <u>Cemetery Fund</u>			
Revenue			
Charges for services	\$ 45,875	\$ 57,291	\$ 11,416
Interest income	6,500	6,035	(465)
Total revenue	52,375	63,326	10,951
Expenditures			
Cemetery operations & maintenance	100,825	100,005	820
Capital outlay	8,175	227	7,948
Total expenditures	109,000	100,232	8,768
Excess Revenue Over (Under) Expenditures	(56,625)	(36,906)	19,719
Transfers out to Cemetery endowment	(10,000)	(13,875)	3,875
Transfers in from general fund	73,000	73,000	-
Net Change in Fund Balances	6,375	22,219	15,844
Fund Balances - Beginning of year	15,785	15,785	-
Fund Balances - End of year	<u>\$ 22,160</u>	<u>\$ 38,004</u>	<u>\$ 15,844</u>

Village of Holly

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Assets				
Cash and investments	<u>\$ 66,358</u>	<u>\$ 2,263,545</u>	<u>\$ 2,242,524</u>	<u>\$ 87,379</u>
Liabilities				
Cash bonds and deposits	\$ 63,647	\$ 252,540	\$ 232,982	\$ 83,205
Other miscellaneous liabilities	<u>2,711</u>	<u>2,161,582</u>	<u>2,160,119</u>	<u>4,174</u>
Total liabilities	<u>\$ 66,358</u>	<u>\$ 2,414,122</u>	<u>\$ 2,393,101</u>	<u>\$ 87,379</u>

Village of Holly

Other Supplemental Information Component Unit - Downtown Development Authority Fund Based Information June 30, 2008

	Modified Accrual Basis	Adjustments	Full Accrual Basis
Assets			
Cash and investments	\$ 103,862	\$ -	\$ 103,862
Accrued interest receivable	68	-	68
	-	-	-
Total assets	<u>\$ 103,930</u>	<u>-</u>	<u>103,930</u>
Liabilities			
Accounts payable	\$ 1,715	-	1,715
Accrued payroll and related liabilities	1,636	-	1,636
Loan Payable	-	300,000	300,000
Total liabilities	<u>3,351</u>	<u>300,000</u>	<u>303,351</u>
Fund Balance	100,579	(100,579)	-
Net Assets			
Unrestricted (deficit)	-	(199,421)	(199,421)
Total fund balance/net assets	<u>100,579</u>	<u>\$ (300,000)</u>	<u>\$ (199,421)</u>
Total liabilities and fund balance	<u>\$ 103,930</u>		
Revenue			
Property taxes	\$ 274,493	\$ -	\$ 274,493
ATM fees	1,103	-	1,103
Interest	3,219	-	3,219
Loan Proceeds	300,000	(300,000)	-
Total revenue	578,815	(300,000)	278,815
Expenditures			
Wages	43,455	-	43,455
Fringe benefits	16,134	-	16,134
Administrative charges from Village	5,000	-	5,000
Economic development projects	566,507	-	566,507
Other current expenses	56,246	-	56,246
Total expenditures/expenses	687,342	-	687,342
Net Change in Fund Balance/Net Asset	(108,527)	(300,000)	(408,527)
Fund Balance/Net Assets			
Beginning of year	209,106	-	209,106
End of year	<u>\$ 100,579</u>	<u>\$ (300,000)</u>	<u>\$ (199,421)</u>

Village of Holly

Other Supplemental Information Component Unit – Economic Development Corporation Fund Based Information Year Ended June 30, 2008

	Modified accrual basis	Adjustments	Full accrual basis
Assets			
Cash and investments	\$ 13,283	\$ -	\$ 13,283
Accrued interest receivable	10	-	10
Total assets	<u>\$ 13,293</u>	<u>-</u>	<u>13,293</u>
Fund Balance	\$ 13,293	(13,293)	-
Net Assets			
Unrestricted	-	13,293	13,293
Total fund balance/net assets	<u>\$ 13,293</u>	<u>\$ -</u>	<u>\$ 13,293</u>
	Modified accrual basis	Adjustments	Full accrual basis
Revenue			
Interest	\$ 415	\$ -	\$ 415
Expenditures			
Community marketing and promotion	2,500	-	2,500
Net Change in Fund Balance / Net Assets	(2,085)	-	(2,085)
Fund Balance / Net Assets			
Beginning of year	15,378	-	15,378
End of year	<u>\$ 13,293</u>	<u>\$ -</u>	<u>\$ 13,293</u>

Statistical Section

Financial Trend Information

This section provides a comparison of net assets by component for the last five years; changes in governmental net assets for five years; changes in the business type net assets for the last four years; as well as the comparisons of fund balances and changes for the governmental funds for the last ten years.

Village of Holly

Net Assets by Component Last Five Years

	As of June 30,				
	2004	2005	2006	2007	2008
Governmental Activities					
Invested in capital assets, net of related debt	\$ 1,589,533	\$ 1,729,878	\$ 2,013,629	\$ 3,323,290	\$ 4,694,324
Restricted	-	-	1,343,132	655,070	581,536
Unrestricted	1,436,999	1,716,774	556,662	681,588	888,131
Total net assets	<u>\$ 3,026,532</u>	<u>\$ 3,446,652</u>	<u>\$ 3,913,423</u>	<u>\$ 4,659,948</u>	<u>\$ 6,163,991</u>
Business-type Activities					
Invested in capital assets, net of related debt	\$ 10,044,791	\$ 7,373,232	\$ 17,391,459	\$ 18,671,606	\$ 17,756,151
Restricted	159,282	297,921	-	869,073	944,408
Unrestricted	3,229,375	6,766,612	2,535,008	1,051,234	1,574,555
Total net assets	<u>\$ 13,433,448</u>	<u>\$ 14,437,765</u>	<u>\$ 19,926,467</u>	<u>\$ 20,591,913</u>	<u>\$ 20,275,114</u>
Primary Government in Total					
Invested in capital assets, net of related debt	\$ 11,634,324	\$ 9,103,110	\$ 19,405,088	\$ 21,994,896	\$ 22,450,475
Restricted	159,282	297,921	1,343,132	1,524,143	1,525,944
Unrestricted	4,666,374	8,483,386	3,091,670	1,732,822	2,462,686
Total net assets	<u>\$ 16,459,980</u>	<u>\$ 17,884,417</u>	<u>\$ 23,839,890</u>	<u>\$ 25,251,861</u>	<u>\$ 26,439,105</u>

The Village implemented GASB Statement 34 in 2004; schedules presenting government-wide information include only information beginning in that year.

Village of Holly

Changes in Governmental Net Assets Last Five Years

	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Expenses					
General government	\$ 712,969	\$ 721,165	\$ 590,570	\$ 681,446	\$ 522,764
Police, Fire & Building inspections	1,663,485	1,550,497	1,594,462	1,694,255	1,890,575
Rubbish disposal	202,954	189,586	230,114	254,851	254,172
Public works activities	950,121	923,188	682,719	362,607	516,802
Planning and zoning	249,309	177,584	38,102	12,132	4,094
Recreation and culture	62,676	54,117	128,863	117,653	109,158
Cemetery	103,724	117,183	-	33,809	95,541
Interest on long-term debt	96,144	96,144	3,901	10,373	7,639
Total governmental activities	<u>4,041,382</u>	<u>3,829,464</u>	<u>3,268,731</u>	<u>3,167,126</u>	<u>3,400,745</u>
Program revenues:					
Charges for services					
General government	770,121	882,453	28,181	21,635	17,873
Public Safety	151,710	118,033	136,784	124,980	118,916
Public Works	40,051	27,979	35,936	40,487	55,289
Recreation and culture	13,782	13,218	11,486	13,455	10,482
Other activities	54,643	42,193	-	-	-
Total charges for services	<u>1,030,307</u>	<u>1,083,876</u>	<u>212,387</u>	<u>200,557</u>	<u>202,560</u>
Operating grants and contributions	477,307	373,507	511,596	458,495	422,337
Capital grants and contributions	334,243	108,914	68,247	305,532	1,122,611
Total program revenue	<u>1,841,857</u>	<u>1,566,297</u>	<u>792,230</u>	<u>964,584</u>	<u>1,747,508</u>
Net (expense) revenue	<u>(2,199,525)</u>	<u>(2,263,167)</u>	<u>(2,476,501)</u>	<u>(2,202,542)</u>	<u>(1,653,237)</u>
General revenues:					
Property taxes	1,838,839	1,912,392	1,927,942	2,131,818	2,377,365
State-shared revenues	670,323	636,956	631,013	613,850	610,592
Investment earnings	9,529	8,633	103,948	88,938	56,203
Franchise fees	-	-	58,726	62,548	81,587
Miscellaneous	-	-	89,426	51,913	31,533
Total general revenues	<u>2,518,691</u>	<u>2,557,981</u>	<u>2,811,055</u>	<u>2,949,067</u>	<u>3,157,280</u>
Change in net assets	<u>\$ 319,166</u>	<u>\$ 294,814</u>	<u>\$ 334,554</u>	<u>\$ 746,525</u>	<u>\$1,504,043</u>

The Village implemented GASB Statement 34 in 2004; schedules presenting government-wide information include only information beginning in that year.

Village of Holly

Changes in Business Type Net Assets Last Four Years

	2005	2006	2007	2008
Operating Revenue				
Sale of water	\$ 503,321	\$ 830,560	\$ 818,959	\$1,060,300
Sewage disposal charges	1,097,984	1,275,638	1,346,181	1,165,307
Interest and penalty charges	30,893	45,899	46,629	56,709
Other charges for services	37,338	32,745	26,111	27,204
Total operating revenue	1,669,536	2,184,842	2,237,880	2,309,520
Operating Expenses				
Cost of water production & distribution	498,404	544,850	588,014	694,667
Cost of sewage treatment	462,437	497,802	601,668	580,245
Cost of sewage collection system	258,790	290,491	327,858	314,210
Billing and administrative costs	119,769	121,489	115,545	104,403
Depreciation	427,956	540,935	538,137	811,454
Total operating expenses	1,767,356	1,995,567	2,171,222	2,504,979
Operating Income (Loss)	(97,820)	189,275	66,658	(195,459)
Non-Operating Revenue (Expenses)				
Investment income	148,674	220,811	396,662	115,181
Interest expense	(110,542)	(540,632)	(57,485)	(557,099)
Tower fees	54,908	57,933	37,590	38,529
Income (Loss) - Before contributions	(4,780)	(72,613)	443,425	(598,848)
Capital Contributions:				
Benefit fees	508,291	488,440	222,021	207,049
Settlement award	-	-	-	75,000
Lines constructed by developers	-	5,086,515	-	-
Total capital contributions	508,291	5,574,955	222,021	282,049
Change in Net Assets	<u>\$ 503,511</u>	<u>\$5,502,342</u>	<u>\$ 665,446</u>	<u>\$ (316,799)</u>

Expense classification changed starting in 2005, therefore periods prior to that have not been shown.

Village of Holly

Fund Balances, Governmental Funds Last Ten Years

	As of June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund:										
Reserved	\$ -	\$ -	\$ 95,591	\$ 50,701	\$ 60,129	\$ 60,129	\$ -	\$ -	\$ -	\$ 158,821
Unreserved	<u>406,320</u>	<u>490,965</u>	<u>446,935</u>	<u>488,820</u>	<u>485,789</u>	<u>503,079</u>	<u>464,475</u>	<u>443,676</u>	<u>479,545</u>	<u>656,814</u>
Total general fund	<u>\$ 406,320</u>	<u>\$ 490,965</u>	<u>\$ 542,526</u>	<u>\$ 539,521</u>	<u>\$ 545,918</u>	<u>\$ 563,208</u>	<u>\$ 464,475</u>	<u>\$ 443,676</u>	<u>\$ 479,545</u>	<u>\$ 815,635</u>
All other governmental funds:										
Unreserved, reported in:										
Special revenue funds	\$ 1,928,332	\$ 1,574,990	\$ 1,341,290	\$ 1,082,828	\$ 1,234,863	\$ 1,240,090	\$ 1,392,538	\$ 1,163,312	\$ 574,853	\$ 520,363
Reserved, perpetual care-nonexpendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,635</u>	<u>168,135</u>	<u>182,010</u>
Total all other governmental funds	<u>\$ 1,928,332</u>	<u>\$ 1,574,990</u>	<u>\$ 1,341,290</u>	<u>\$ 1,082,828</u>	<u>\$ 1,234,863</u>	<u>\$ 1,240,090</u>	<u>\$ 1,392,538</u>	<u>\$ 1,404,947</u>	<u>\$ 742,988</u>	<u>\$ 702,373</u>

Village of Holly

Changes in Fund Balances, Governmental Funds Last Ten Years

	Year Ended June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenue										
Property taxes	\$ 1,465,028	\$ 1,641,971	\$ 1,723,302	\$ 1,785,323	\$ 1,858,088	\$ 1,838,839	\$ 1,912,392	\$ 1,927,942	\$ 2,105,020	\$ 2,409,391
Licenses and permits	97,871	105,912	99,696	104,565	141,663	71,506	65,979	146,431	126,320	127,252
Intergovernmental	977,567	1,078,555	1,155,086	1,179,117	1,231,887	1,476,873	1,119,377	1,142,038	1,081,972	1,029,644
Charges for services	484,152	521,268	571,016	701,759	723,953	872,857	922,297	748,441	854,236	887,016
Fines and forfeitures	15,063	18,439	18,225	25,357	28,856	36,215	40,142	47,645	51,613	55,055
Interest and other	191,376	206,332	202,109	184,074	100,741	80,045	116,224	249,038	207,628	128,253
Total revenue	<u>3,231,057</u>	<u>3,572,477</u>	<u>3,769,434</u>	<u>3,980,195</u>	<u>4,085,188</u>	<u>4,376,335</u>	<u>4,176,411</u>	<u>4,261,535</u>	<u>4,426,789</u>	<u>4,636,611</u>
Expenditures										
Current:										
General government	651,511	542,233	564,095	626,003	720,778	712,969	721,165	765,984	821,271	732,923
Public safety	1,116,233	1,228,864	1,240,239	1,329,187	1,453,411	1,663,485	1,550,497	1,678,466	1,783,673	2,166,499
Public works										
Streets and general DPW	754,813	1,441,505	1,290,306	1,138,063	835,000	950,121	923,188	1,229,229	1,837,541	1,245,952
Rubbish disposal	158,294	164,723	194,005	193,149	199,928	202,954	189,586	230,114	254,851	254,172
Cemetery	94,690	99,995	106,450	118,272	116,712	103,724	117,183	72,083	83,033	100,005
Community and economic development	123,342	122,378	164,482	240,579	269,330	249,309	177,584	112,440	74,582	58,421
Parks and recreation	30,856	77,932	43,503	62,267	54,632	62,676	54,117	43,307	55,071	44,011
Capital outlay	53,034	67,400	161,198	395,880	129,154	405,925	621,385	92,179	142,857	11,102
Debt service principal	-	96,144	96,144	96,144	96,144	88,918	124,223	38,278	-	-
Debt service interest	-	-	-	-	-	7,226	11,304	6,340	-	-
Total expenditures	<u>2,982,773</u>	<u>3,841,174</u>	<u>3,860,422</u>	<u>4,199,544</u>	<u>3,875,089</u>	<u>4,447,307</u>	<u>4,490,232</u>	<u>4,268,420</u>	<u>5,052,879</u>	<u>4,613,085</u>
Excess of Revenue Over (Under)										
Expenditures	248,284	(268,697)	(90,988)	(219,349)	210,099	(70,972)	(313,821)	(6,885)	(626,090)	23,526
Other Financing Sources (Uses)										
Debt issuance	504,000	-	-	-	-	-	218,140	-	-	271,949
Transfers in	215,918	200,000	242,417	136,615	150,000	-	-	252,095	398,597	325,662
Transfers out	(215,918)	(200,000)	(326,654)	(178,733)	(201,667)	-	-	(252,095)	(398,597)	(325,662)
Total other financing sources (uses)	<u>504,000</u>	<u>-</u>	<u>(84,237)</u>	<u>(42,118)</u>	<u>(51,667)</u>	<u>-</u>	<u>218,140</u>	<u>-</u>	<u>-</u>	<u>271,949</u>
Net change in fund balances	<u>752,284</u>	<u>(268,697)</u>	<u>(175,225)</u>	<u>(261,467)</u>	<u>158,432</u>	<u>(70,972)</u>	<u>(95,681)</u>	<u>(6,885)</u>	<u>(626,090)</u>	<u>295,475</u>
Fund Balances - Beginning of year	<u>1,582,368</u>	<u>2,334,652</u>	<u>2,059,041</u>	<u>1,883,816</u>	<u>1,622,349</u>	<u>1,780,781</u>	<u>1,952,694</u>	<u>1,855,508</u>	<u>1,848,623</u>	<u>1,222,533</u>
Fund Balances - End of year	<u>\$ 2,334,652</u>	<u>\$ 2,065,955</u>	<u>\$ 1,883,816</u>	<u>\$ 1,622,349</u>	<u>\$ 1,780,781</u>	<u>\$ 1,709,809</u>	<u>\$ 1,857,013</u>	<u>\$ 1,848,623</u>	<u>\$ 1,222,533</u>	<u>\$ 1,518,008</u>
Debt service as a percentage of noncapital expenditures	0.0%	2.5%	2.6%	2.5%	2.6%	2.4%	3.4%	1.2%	0.0%	0.0%
Calculation of "noncapital expenditures:"										
Total exp above	\$ 2,982,773	\$ 3,841,174	\$ 3,860,422	\$ 4,199,544	\$ 3,875,089	\$ 4,447,307	\$ 4,490,232	\$ 4,268,420	\$ 5,052,879	\$ 4,613,085
Capitalized expenditures	53,034	67,400	161,198	395,880	129,154	421,143	525,291	421,764	1,332,811	870,457
	<u>\$ 2,929,739</u>	<u>\$ 3,773,774</u>	<u>\$ 3,699,224</u>	<u>\$ 3,803,664</u>	<u>\$ 3,745,935</u>	<u>\$ 4,026,164</u>	<u>\$ 3,964,941</u>	<u>\$ 3,846,656</u>	<u>\$ 3,720,068</u>	<u>\$ 3,742,628</u>

Revenue Capacity Information

This section provides the comparisons of taxable value and actual value of the taxable property, the direct property tax rates for Village residents, principal taxpayers in the Village and the property tax levies and collections at a ten year comparison.

Village of Holly

Taxable Value and Actual Value of Taxable Property Last Ten Years

Tax Year	Fiscal Year Ended June 30,	Taxable Value by Property Type:					Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percent of Actual
		Real property:			Personal Property	Total Value			
		Residential	Commercial	Industrial					
1998	1999	\$ 57,699,689	\$ 14,943,540	\$ 3,262,580	\$ 6,171,720	\$ 82,077,529	17.2282	\$ 1,414,048	58.04%
1999	2000	66,547,620	17,404,490	3,402,320	7,803,810	95,158,240	16.6649	1,585,802	60.01%
2000	2001	71,373,410	17,849,890	4,006,380	7,803,810	101,033,490	16.5432	1,671,417	60.45%
2001	2002	71,764,590	23,380,300	4,742,750	6,776,770	106,664,410	16.5166	1,761,733	60.55%
2002	2003	79,963,350	20,363,580	5,575,700	7,315,480	113,218,110	16.2183	1,836,205	61.66%
2003	2004	84,424,070	22,299,760	4,339,630	6,500,830	117,564,290	15.8438	1,862,900	63.11%
2004	2005	93,828,850	23,137,480	4,755,480	6,753,200	128,475,010	15.4350	1,984,555	64.74%
2005	2006	99,025,930	24,006,900	4,918,700	7,051,750	135,003,280	15.3653	2,074,365	65.08%
2006	2007	127,215,500	36,837,250	7,559,800	7,442,200	179,054,750	15.1994	2,721,524	65.79%
2007	2008	127,635,990	36,973,880	7,221,800	7,733,340	179,565,010	17.2024	3,088,949	58.13%

Note: Under Michigan law, the revenue base is referred to as "Taxable Value". This amount represents Assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

Source of data:

Village of Holly Tax Rolls

Village of Holly

Direct and Overlapping Property Tax Rates Last Ten Years

		Tax Year									
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Village of Holly	Operating	15.7025	17.2282	16.6649	16.5166	16.2183	15.8458	15.4350	15.3853	15.1994	17.2024
DDA - District	Operating (non homestead only)	-	2.0000	2.0000	-	-	-	-	-	-	-
Holly Area Schools	Operating (non homestead only)	17.8580	17.8274	18.0000	18.0000	18.0000	18.0000	18.0000	18.0000	18.0000	18.0000
	Debt	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000
Oakland County	Operating	4.3505	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900
	Parks & Rec.	0.2439	0.2429	0.2404	0.2376	0.2352	0.2453	0.2436	0.2436	0.2415	0.2415
	H.C.M.A.	0.2236	0.2235	0.2218	0.2202	0.2186	0.2170	0.2161	0.2161	0.2146	0.2146
Holly Township	Operating	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
	Library	1.0000	0.9836	0.9576	0.9368	0.9114	0.9834	0.9834	0.9739	0.9574	0.9574
	Parks	0.5000	0.4918	0.4788	0.4684	0.4557	0.4917	0.4917	0.4669	0.4786	0.4786
	Fire/Emergency	-	-	-	1.5000	1.5000	1.6500	1.6500	1.6500	1.8100	1.8100
State Education	SET	6.0000	6.0000	6.0000	6.0000	6.0000	5.0000	6.0000	6.0000	6.0000	6.0000
Oakland Inter School		2.1294	2.1208	2.0998	2.0752	3.4526	3.3991	3.3991	3.3690	3.3690	3.3690
Oakland Comm College		1.6522	1.6456	1.6295	1.6109	1.5952	1.5983	1.5983	1.5844	1.5840	1.5840
Total Millage:											
	Homestead	39.8021	43.1264	42.4828	41.7557	42.7770	41.6206	42.2072	42.0792	42.0445	44.0475
	Nonhomestead	57.6601	60.9538	60.4828	59.7557	60.7770	59.6206	60.2072	60.0792	60.0445	62.0475
		(17.8580)	(17.8274)	(18.0000)	(18.0000)	(18.0000)	(18.0000)	(18.0000)	(18.0000)	(18.0000)	(18.0000)

Source of data:

Local units records

Village of Holly

Principal Property Tax Payers

Taxpayer	2007 Taxable Value	Percentage of total	1998 Taxable Value	Percentage of total	1998 rank
1 Presbyterian Village	\$ 2,830,220	1.87%	\$ 2,239,400	2.7%	1
2 Consumers Energy	1,974,320	1.31%	1,857,590	2.3%	3
3 Holly Enterprises	1,845,000	1.22% (1)	1,207,680	1.5%	4
4 Delta Tube	1,569,040	1.04%	1,132,710	1.4%	5
5 Holly Manor Apartments	1,476,550	0.98%	898,430	1.3%	7
6 Phyle Holly LLC	1,468,330	0.97%	-		
7 Hawaiian Gardens	1,216,120	0.81% (2)	1,882,270	2.3%	2
8 Holly Mobile Home Village	1,023,500	0.68% (2)	-		
9 Holly Rite Aid LLC	95,070	0.63%	-		
10 Holly Marketplace LLC	769,910	0.51%	-		
George Fisher			1,060,180	1.3%	6
Wolverine Machines Products			573,260	0.70%	9
Holly Associates			554,830	0.70%	10
Whispering Oaks			625,840	0.80%	8
			-		

(1) The two parcels were combined as one in 1997 as Wolvorton & Stanker/Inter Lakes Assoc.

(2) The two parcels were combined as one in 1997 as Greg Christopher.

Source of data:

Local units records

Village of Holly

Property Tax Levies and Collections Last Ten Years

Tax Year	Fiscal Year Ended June 30,	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total tax Collections	Percent of Levy Collected
1998	1999	\$ 1,419,837	\$ 1,277,431	90.00%	\$ 142,406	\$ 1,414,476	99.60%
1999	2000	1,612,024	1,478,610	91.70%	134,479	1,605,578	99.60%
2000	2001	1,658,922	1,528,787	92.20%	121,107	1,652,477	99.60%
2001	2002	1,852,744	1,719,556	92.80%	133,188	1,842,035	99.40%
2002	2003	1,883,865	1,750,644	92.90%	133,221	1,874,188	99.50%
2003	2004	1,917,551	1,813,379	94.50%	107,785	1,912,321	99.70%
2004	2005	2,000,407	1,884,961	94.20%	112,129	1,997,090	99.70%
2005	2006	2,108,798	1,953,060	92.60%	150,873	2,103,933	99.70%
2006	2007	2,236,374	2,069,120	92.53%	165,267	2,234,387	99.92%
2007	2008	2,606,270	2,329,422	89.38%	241,668	2,571,090	98.65%

Source of data:

Local units records

Debt Capacity Information

This section provides for information as to the general bonded debt, with a comparison to per capita; the direct and overlapping debt for other governmental units who assess taxes to village residents and the legal debt margin comparison over ten years. With outstanding bonds for the wastewater treatment plant and water system, a chart showing the pledged revenues for the bond payments and applicable expenses is provided.

Village of Holly

Ratios of Outstanding Debt Last Ten Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:										
Installment purchase agreements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,652	\$ 147,374	\$ 182,409	\$ 285,203
Business Type Activities:										
General obligation bonds	1,900,000	1,525,000	1,100,000	650,000	175,000	-	-	5,500,000	5,500,000	5,500,000
Revenue bonds	2,505,000	2,465,000	2,370,000	2,270,000	2,165,000	2,055,000	8,440,000	14,320,000	14,195,000	13,865,000
Capital leases	-	-	-	-	-	29,570	22,684	15,471	7,916	-
Total	4,405,000	3,990,000	3,470,000	2,920,000	2,340,000	2,084,570	8,462,684	19,835,471	19,702,916	19,365,000
Total debt of the government	<u>\$ 4,405,000</u>	<u>\$ 3,990,000</u>	<u>\$ 3,470,000</u>	<u>\$ 2,920,000</u>	<u>\$ 2,340,000</u>	<u>\$ 2,084,570</u>	<u>\$ 8,648,336</u>	<u>\$ 19,982,845</u>	<u>\$ 19,885,325</u>	<u>\$ 19,650,203</u>
Total taxable value	92,145,220	99,702,190	101,033,490	106,507,300	117,523,560	128,574,710	135,003,280	146,900,490	179,054,750	179,565,010
Ratio of total debt to taxable value	4.78	4.00	3.43	2.74	1.99	1.62	6.41	13.60	11.11	10.94
Total Population	5,595	5,595	6,135	6,135	6,135	6,179	6,179	6,179	6,179	6,179
Total debt per capita	787.31	713.14	565.61	475.96	381.42	337.36	1,399.63	3,233.99	3,218.21	3,180.16

Note: If personal income is unavailable, it is acceptable to use Taxable Value

Village of Holly

Ratios of General Bonded Debt Outstanding Last Ten Years

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Other General Obligation Debt	Net General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt Per Capita
1999	\$ 1,900,000	\$ -	\$ 1,900,000	\$ 82,077,529	2.31%	5,595	\$ 340
2000	1,525,000	-	1,525,000	95,158,240	1.60%	5,595	273
2001	1,100,000	-	1,100,000	101,033,490	1.09%	6,135	179
2002	650,000	-	650,000	106,664,410	0.61%	6,135	106
2003	175,000	-	175,000	113,218,110	0.15%	6,135	29
2004	-	-	-	117,564,290	- %	6,179	-
2005	-	185,652	185,652	128,475,010	0.14%	6,179	30
2006	5,500,000	147,374	5,647,374	135,003,280	4.18%	6,179	914
2007	5,500,000	182,409	5,682,409	179,054,750	3.17%	6,179	920
2008	5,500,000	285,203	5,785,203	179,565,010	3.22%	6,179	936

Village of Holly

Direct and Overlapping Governmental Activities Debt

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Oakland County	\$ 109,962,280	0.23%	\$ 252,913
Holly Area Schools	77,525,000	15.36%	11,907,840
Community College	7,965,000	0.24%	19,116
Intermediate school district	53,730,000	0.23%	123,579
Total overlapping debt	249,182,280		12,303,448
Direct Village debt	19,365,000	100%	19,365,000
Total direct and overlapping debt	<u>\$ 268,547,280</u>		<u>\$ 31,668,448</u>

Source of data:

Michigan Advisory Council of Michigan

Village of Holly

Legal Debt Margin Last Ten Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Calculation of debt limit:										
State equalized valuation	\$ 82,077,529	\$ 95,158,240	\$ 101,033,490	\$ 106,664,410	\$ 113,218,110	\$ 117,564,290	\$ 128,475,010	\$ 135,003,280	\$ 179,054,750	\$ 179,565,010
10% of state equalized valuation	<u>8,207,753</u>	<u>9,515,824</u>	<u>10,103,349</u>	<u>10,666,441</u>	<u>11,321,811</u>	<u>11,756,429</u>	<u>12,847,501</u>	<u>13,500,328</u>	<u>17,905,475</u>	<u>17,956,501</u>
Calculation of debt subject to limit:										
Total debt	\$ 4,405,000	\$ 3,990,000	\$ 3,470,000	\$ 2,920,000	\$ 2,340,000	\$ 2,084,570	\$ 8,648,336	\$ 19,982,845	19,885,325	19,650,203
Less: debt not subject to limit:										
Revenue bonds	<u>2,505,000</u>	<u>2,465,000</u>	<u>2,370,000</u>	<u>2,270,000</u>	<u>2,165,000</u>	<u>2,055,000</u>	<u>8,440,000</u>	<u>14,320,000</u>	<u>14,195,000</u>	<u>13,865,000</u>
Net debt subject to limit	<u>1,900,000</u>	<u>1,525,000</u>	<u>1,100,000</u>	<u>650,000</u>	<u>175,000</u>	<u>29,570</u>	<u>208,336</u>	<u>5,662,845</u>	<u>5,690,325</u>	<u>5,785,203</u>
Legal debt margin	<u>\$ 6,307,753</u>	<u>\$ 7,990,824</u>	<u>\$ 9,003,349</u>	<u>\$ 10,016,441</u>	<u>\$ 11,146,811</u>	<u>\$ 11,726,859</u>	<u>\$ 12,639,165</u>	<u>\$ 7,837,483</u>	<u>\$ 12,215,150</u>	<u>\$ 12,171,298</u>
Net debt subject to limit as % of debt limit	23.15%	16.03%	10.89%	6.09%	1.55%	0.25%	1.62%	41.95%	31.78%	32.22%

Village of Holly

Pledged-Revenue Coverage

Wastewater Treatment Plant Revenue Bonds

Fiscal year		Gross revenues	Applicable expenses (1)	Net revenues	Principal	Interest	Total	Coverage
2005	(2)	\$ 1,442,452	\$ 769,344	\$ 673,108	\$ -	\$ 35,057	\$ 35,057	19.2
2006		1,759,413	850,744	908,669	-	123,852	123,852	7.3
2007		1,744,609	991,331	753,278	-	263,958	263,958	2.9
2008		1,462,534	946,306	516,228	200,000	271,325	471,325	1.1

Fiscal year		Gross revenues	Applicable expenses (1)	Net revenues	Principal	Interest	Total	Coverage
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Water System Revenue Bonds

1999		472,747	312,598	160,149	35,000	75,502	110,502	1.4
2000		554,748	394,896	159,852	40,000	78,682	118,682	1.3
2001	(3)	502,142	382,316	119,826	95,000	110,983	205,983	0.6
2002		556,667	427,665	129,002	100,000	93,590	193,590	0.7
2003		693,076	428,654	264,422	105,000	92,839	197,839	1.3
2004		1,191,290	445,989	745,301	110,000	92,200	202,200	3.7
2005		807,210	586,983	220,227	115,000	71,053	186,053	1.2
2006		1,192,613	603,888	588,725	120,000	416,780	536,780	1.1
2007		1,154,441	641,754	512,687	125,000	376,813	501,813	1.0
2008		1,282,745	747,219	535,526	130,000	348,483	478,483	1.1

(1) Net of depreciation.

(2) First year for payments on bonds dated 9/1/04.

(3) First year for payments on bonds dated 6/1/99.

Demographic and Economic Information

This section provides statistical information for population, personal income and unemployment information for the Village of Holly. Without added industry or commercial properties, the principal employers have remained the same over the ten year comparison except for the addition of a new employer in 2001 (Universal Data).

Village of Holly

Demographic and Economic Statistics Last Ten Years

Fiscal Year	Population	(1)	Personal Income (in Thousands)	(2)	Per Capita Personal Income	(2)	Unemployment Rate	(2)
1999	\$ 5,595		\$ 41,512		\$ 16,450		2.60%	
2000	5,595		42,489		41,512		2.20%	
2001	6,135		45,090		41,512		3.80%	
2002	6,135		37,568		41,512		5.40%	
2003	6,135		49,649		46,282		4.70%	
2004	6,179		49,896		49,896		5.30%	
2005	6,179		50,424		67,352		6.20%	
2006	6,179		49,486		67,800		5.70%	
2007	6,179		63,443		52,274		6.70%	
2008	6,179		65,063		53,865		8.00%	

Source of data:

(1) U.S. Census Bureau

(2) State of Michigan

Village of Holly

Principal Employers

Taxpayer	2008 Employees	Percentage of Total	1999 Employees	Percentage of Total	1999 Rank
1 Delta Tube	40	12.01%	281	41.32%	1
2 Freemans (now Holly Foods)	47	14.11%	100	14.70%	2
3 Universal Data	0	0.00%	n/a (1)	n/a (1)	n/a (1)
4 Holly Convalescent Center	65	19.52%	70	10.29%	3
5 McDonalds	48	14.41%	58	8.53%	4
6 Villagers Restaurant	28	8.41%	40	5.88%	5
7 Vinyl Tech	1	0.30%	32	4.71%	6
8 Holly Hotel	42	12.61%	40	5.88%	7
9 CMI-Schneible Co.	32	9.61%	34	5.00%	8
10 Wolverine Machine	30	9.01%	25	3.68%	9

(1) Did not exist in 1998

Source of data:

Local units records

Operating Information

This section provides information over a ten year look for full-time employees, various items such as village elections, police and fire operations, public works care of infrastructure to name a few. We also provide a three year comparison of capital asset statistics for Village operations.

Village of Holly

Full-time Equivalent Government Employees Last Ten Years

Function/ program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Village Manager	1	1	1	1	1	1	1	1	1	1
Clerk-Treasurer	4	4	4	4	4	4	4	4	4	4
Building/Community Development Dept.	2	2	2	2	2	2	1	1	1	1
Public Safety										
Police	15	15	15	15	15	15	15	14	13	18
Fire and EMS	n/a (I)	n/a (I)	n/a (I)	n/a (I)	n/a (I)	n/a (I)	n/a (I)	n/a (I)	n/a (I)	n/a (I)
Public Works										
DPW	8	8	8	8	8	8	7	6	7	8
Water and sewer	6	6	6	6	6	6	6	6	6	4
Total	36	36	36	36	36	36	34	32	32	36

(I) All part-time/on call employees

Source of data:

Local units records

Village of Holly

Operating Indicators Last Ten Years

Function/ program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Election data:										
Registered voters	4,034	4,191	4,190	4,193	4,059	4,072	4,118	4,295	4,325	4,325
Voters (at the polls or absentee)	n/a (1)	396	n/a (1)	351	438	279	n/a (1)	n/a (1)	n/a (1)	364
Percent voting		9.44%		8.37%	10.79%	6.85%				6.85%
District Court: (A)										
Number of court cases	n/a (2)	n/a (2)	n/a (2)	n/a (2)	n/a (2)	1,659	1,459	1,860	1,894	1,623
Police:										
Physical arrests	244	149	197	230	200	218	234	232	225	263
Traffic violations	n/a (3)	n/a (3)	n/a (3)	1,128	1,659	1,611	1,888	1,755	1,135	1,748
Investigations	n/a (3)	7,602	8,099	7,871	8,431	8,901	8,748	11,455	9,416	10,982
Fire										
Fire runs	18	26	23	32	27	55	76	89	120	23
Emergency medical runs	264	477	549	555	569	620	580	443	588	547
Inspections	n/a (4)	n/a (4)	n/a (4)	n/a (4)	n/a (4)	n/a (4)	n/a (4)	n/a (4)	n/a (4)	n/a (4)
Public works										
Miles of street resurfaced	1.1 mile	1 mile	.75 miles	1.2 miles	-	-	2.8 miles	-	1.3 miles	.36 miles
Potholes repaired	1,260	900	1,320	1,060	1,400	1,160	1,070	1,210	852	848
Refuse collected (tons)	1,904	1,926	1,940	1,965	1,997	2,039	2,070	2,184	2,265	2,312
Parks and recreation:										
Recreation program attendance	n/a (5)	n/a (5)	n/a (5)	n/a (5)	n/a (5)	n/a (5)	n/a (5)	n/a (5)	n/a (5)	n/a (5)
Library: (B)										
Circulation (books borrowed)	79,072	79,082	71,826	71,063	66,886	57,766	60,252	63,899	64,712	65,302
Collection volume	52,748	49,768	49,980	55,244	49,025	46,448	42,550	44,263	44,850	49,101
Water										
Number of customers billed	2,300	2,310	2,491	2,499	2,520	2,543	2,851	2,978	2,991	2,825
Total consumption	198,567,820	199,480,900	201,730,555	205,080,396	221,098,431	220,159,672	233,987,524	254,706,328	254,721,560	198,501,000
Average consumption per user	47,000	48,000	48,000	49,500	49,580	50,000	50,488	51,025	51,720	69,000
Sewer:										
Average daily sewage treatment	0.801	1.048	0.954	0.804	0.910	0.953	0.942	0.930	0.973	0.886

- (1) No Village Election
 (2) District Court does not have the information for these years
 (3) Village Police Department does not have the information for these years
 (4) Village Fire Department does not do inspections
 (5) Village does not offer programs in the parks
 (6) Million Gallons

Source of data:
 Local Unit records
 (A) 52nd District Court
 (B) Holly Township Library

Village of Holly

Capital Asset Statistics Last Four Years

Function/ program	2005	2006	2007	2008
Police:				
Stations	1	1	1	1
Patrol units - marked	4	4	6	6
Patrol units - unmarked	2	2	2	1
Fire				
Stations	1	1	1	1
Fire response vehicles	4	4	4	4
Public works				
Streets (miles):				
Major streets	6.69	6.69	6.69	7.00
Local streets	13.29	13.29	13.29	15.27
Parks and recreation:				
Acreage	22	22	22	22
Developed parks/ playgrounds	5	5	5	5
Water:				
Mains (miles)	22	22	22	22
Number of customers	2,612	2,978	2,991	2,825
Sewer:				
Miles of sanitary sewers	22	22	22	22
Treatment plant	1	1	1	1

Source data:

Local units records

Data prior to 2005 is not easily assessable therefore not shown.

Village of Holly

**Report to the Village Council
June 30, 2008**



Plante & Moran, PLLC

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To the Village Council
Village of Holly

Village of Holly We have recently completed our audit of the basic financial statements of Village of Holly (the "Village") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Village:

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We are grateful for the opportunity to be of service to the Village of Holly. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 20, 2008

Report on Internal Control

October 20, 2008

To the Village Council
Village of Holly

Dear Council Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Village's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Village of Holly as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Villages's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a

To the Village Council
Village of Holly

misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Sewer/Water Accounts Receivable

The person who prepares the sewer and water billings can also collect cash and make adjustments to accounts without prior approval. Allowing one person to perform all these tasks creates a lack of segregation of duties. We would suggest this person's duties be reviewed and additional controls be put in place. One such control would be the preparation of a monthly reconciliation between the accounts receivable aged trial balance and the general ledger.

Audit Adjustments

During the audit, we provided assistance in identifying and posting accrual adjustments to the accounting records and reconciling fund balances to prior year's audited balances. Accruals represent any adjustments other than cash that impact the accounting records (state share revenue and other receivables, capital assets, long term debt, employee compensated absences, special assessment revenue recognition, accounts and interest payable, deferred revenue, etc.). We are pleased to assist in this process, however we bring this to your attention since it meets the above definition of a matter to be communicated.

This communication is intended solely for the information and use of management, the Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script, reading "Peggy Haw Jury".

Peggy Haw Jury, CPA

Results of the Audit

October 20,2008

To the Village Council
Village of Holly

We have audited the financial statements of Village of Holly for the year ended June 30, 2008, and have issued our report thereon dated October 20,2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 18, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Village of Holly. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 18, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies

To the Village Council
Village of Holly

used by Village of Holly are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the useful lives of capital assets.

Useful lives of capital assets are based upon management's estimate of their life. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected Misstatements

The following material misstatements detected as a result of audit procedures were corrected by management water and sewer receivables, capital assets, long term debt, other receivables, deferred revenue and fund balance.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2008.

To the Village Council
Village of Holly

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization’s auditors.

This information is intended solely for the use of Village Council and management of Village of Holly and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, reading "Peggy Haw Jury". The signature is written in a cursive, flowing style.

Peggy Haw Jury, CPA

Informational

Municipal Finance Act Revisions - Reminder

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Village’s year end (June 30, 2008) and is good for one year thereafter. The Village should consider the need to file a qualifying statement for each of its component units.

Retiree Health Care Benefits - Reminder

As mentioned last year, the Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions* which will require the Village to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The Village currently has an OPEB trust set up to pay for these cost and is fully funded at this time.

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any underfunding must be reported as a liability on the government wide statement of net assets. This valuation will need to be performed by an actuary only if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. Plans with fewer than 100 participants may either hire an actuary, or perform the calculation themselves (at least every three years).

This statement is effective for the fiscal year beginning January 1, 2009. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates. The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the “interperiod equity” issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year’s contribution. Therefore, funding the contribution will actually reduce your long run cost.